November 9, 2012

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

Re: IDA Credit No. 5178-GE: Second Regional Development Project
Additional Instructions: Disbursement Letter

Excellency:

I refer to the Financing Agreement ("Agreement") between the International Development Association ("World Bank") and Georgia (the "Recipient") for the above-referenced project, dated November 9, 2012. The Agreement provides that the World Bank may issue additional instructions regarding the withdrawal of the proceeds of IDA Credit No. 5178-GE ("Credit"). This letter ("Disbursement Letter"), as revised from time to time, constitutes the additional instructions.

The attached World Bank Disbursement Guidelines for Projects, dated May 1, 2006, ("Disbursement Guidelines") and attached (Attachment 1) are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Grant is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

I. Disbursement Arrangements

(i) Disbursement Methods (section 2). The following Disbursement Methods may be used under the Credit:

- Reimbursement
- Advance
- Direct Payment
- Special Commitment

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is 4 months after the Closing Date specified in the Financing Agreement. Any changes to this date will be notified by the World Bank.

(iii) Disbursement Conditions (subsection 3.8). Please refer to the Disbursement Condition(s) in the Financing Agreement.
II. Withdrawal of Credit Proceeds

(i) Authorized Signatures (subsection 3.1).
A letter in the form attached (Attachment 2) should be furnished to the World Bank at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank
1818 H Street, N.W.
Washington, D.C., 20433
Attention: Henry Kerali, Country Director, ECCU3

(ii) Applications (subsections 3.2 - 3.3). Please provide completed and signed applications for withdrawal, together with supporting documents, to the address indicated below:

The World Bank
Radnicka cesta 80, 9th floor,
Zagreb, HR – 1000,
Croatia
Attention: Disbursement Management Group

(iii) Electronic Delivery (subsection 3.4) The World Bank may permit the Recipient to electronically deliver to the World Bank Applications (with supporting documents) through the World Bank’s Client Connection, web-based portal. The option to deliver Applications to the World Bank by electronic means may be effected if: (a) the Recipient has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification devices (“Tokens”) from the World Bank for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Recipient have registered as users of Client Connection. If the World Bank agrees, the World Bank will provide the Recipient with Tokens for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (https://clientconnection.worldbank.org). The Recipient may continue to exercise the option of preparing and delivering Applications in paper form. The World Bank reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Recipient.

(iv) Terms and Conditions of Use of Tokens to Process Applications. By designating officials to accept Tokens and by choosing to deliver the Applications electronically, the Recipient confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation (“Terms and Conditions of Use of Tokens”) as attached in Attachment 3; and (b) to deliver the Terms and Conditions of Use of Tokens to each such official and to cause such official to abide by those terms and conditions.

(v) Minimum Value of Applications (subsection 3.5). The Minimum Value of Applications for Direct Payments and Reimbursements is USD $800,000.
(vi) Advances (sections 5 and 6).

- Type of Designated Account (subsection 5.3): Segregated
- Currency of Designated Account (subsection 5.4): United States dollars
- Financial Institution at which the Designated Account will be opened (subsection 5.5): In the Treasury Service Account of the Ministry of Finance of Georgia with the National Bank of Georgia.
- Ceiling (subsection 6.1): US$4,000,000

III. Reporting on Use of Credit Proceeds

(i) Supporting Documentation (section 4). Supporting documentation should be provided with each application for withdrawal as set out below:

- For requests for Reimbursement and for reporting eligible expenditures paid from the Designated Account:
  - Records evidencing eligible expenditures (e.g. copies of receipts, supplier invoices) for payments made under contracts for:
    - Works costing USD $4,000,000 equivalent per contract or more;
    - Goods costing USD $300,000 equivalent per contract or more
    - Consultant firms costing USD $200,000 equivalent per contract or more; and
    - Individual consultants costing USD $50,000 equivalent or more;
  - Statement of Expenditures in the form attached (Attachment 4) for all other expenditures / contracts; and,
  - List of payments against contracts that are subject to the Bank’s prior review, in the form attached (Attachment 5).

- For requests for Direct Payment: Records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices.

IV. Other Important Information

Retroactive Financing – Payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 5,940,000 equivalent may be made for payments made prior to the date of this Agreement but on or after August 1, 2012, for Eligible Expenditures under Category 1.

If you have not already done so, the World Bank recommends that you register as a user of the Client Connection website (https://clientconnection.worldbank.org). From this website you will be able to download Applications, monitor the near real-time status of the Grant, and retrieve related policy, financial, and procurement information. For more information about the website and registration arrangements, please contact the World Bank by email at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact Joseph P. Formoso, Senior Finance Officer at <loa-eca@worldbank.org> using the above reference.

Yours sincerely,

By

[Signature]

Henry Kerali
Regional Director for South Caucasus

Attachments
1. World Bank Disbursement Guidelines for Projects, dated May 1, 2006
2. Sample form for Authorized Signatures
4. Sample form for “Statement of Expenditure”
5. Sample form for Payments Against contracts Subject to the Bank’s Prior Review

cc with copies:  Mr. Levan Chichinadze
Executive Director
Municipal Development Fund
Tbilisi 0112, Georgia
Email: l.chichinadze@mdf.org.ge
Telephone: +995 322 437 001

Lasha Mgeladze
Minister of Regional Development and Infrastructure
Ministry of Regional Development and Infrastructure
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Telephone: +995 322 510 708

Mr. Konstantine Kintsurashvili
Deputy Minister
Ministry of Finance
16 Gorgasali Street
Tbilisi, Georgia
Email: k.kintsurashvili@mof.ge
Telephone: +995 322 261 420
FOR OFFICIAL USE ONLY

Prepared by: Patricia Hoyes/Joseph Formoso, CTRLD

Cleaned with and cc: Ghada Youness, Senior Counsel, LEGEM
Ahmed A.R. Elweida, Sector Leader, ECSSD
The World Bank
1818 H Street, N.W.
Washington, D.C., 20433

Dear Mr. Kerali,

Re: IDA Credit No. 5178-GE
GEORGIA: Second Regional Development Project

I refer to the Financing Agreement ("Agreement") between the International Development Association (the "Association") and [name of recipient] (the "Recipient"), dated ______, providing the above Financing. For the purposes of Section 2.03 of the General Conditions as defined in the Agreement, any [one] of the persons whose authenticated specimen signatures appear below is authorized on behalf of the Recipient to sign applications for withdrawal [and applications for a special commitment] under this Financing.

For the purpose of delivering Applications to the Association, [each] of the persons whose authenticated specimen signatures appears below is authorized on behalf of the Recipient, acting [individually] [jointly], to deliver Applications, and evidence in support thereof on the terms and conditions specified by the Association.

[This confirms that the Recipient is authorizing such persons to accept Tokens and to deliver the Applications and supporting documents to the World Bank by electronic means. In full recognition that the Association shall rely upon such representations and warranties, including without limitation, the representations and warranties contained in the Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation ("Terms and Conditions of Use of Tokens"), the Recipient represents and warrants to the

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1 Instruction to the Recipient: Stipulate if more than one person needs to sign Applications, and how many or which positions, and if any thresholds apply. Please delete this footnote in final letter that is sent to the Association.

2 Instruction to the Recipient: Stipulate if more than one person needs to jointly sign Applications, if so, please indicate the actual number. Please delete this footnote in final letter that is sent to the Association.

3 Instruction to the Recipient: Use this bracket if any one of the authorized persons may sign; if this is not applicable, please delete. Please delete this footnote in final letter that is sent to the Association.

4 Instruction to the Recipient: Use this bracket only if several individuals must jointly sign each Application; if this is not applicable, please delete. Please delete this footnote in final letter that is sent to the Association.

5 Instruction to the Recipient: Add this paragraph if the Recipient wishes to authorize the listed persons to accept Tokens and to deliver Applications by electronic means; if this is not applicable, please delete the paragraph. Please delete this footnote in final letter that is sent to the Association.
Association that it will deliver to each such person a copy of the Terms and Conditions of Use of Tokens and will cause such persons to abide by those terms and conditions.

This Authorization replaces and supersedes any Authorization currently in the Association records with respect to this Agreement.

[Name], [position] Specimen Signature: ____________________

[Name], [position] Specimen Signature: ____________________

[Name], [position] Specimen Signature: ____________________

Yours truly,

/ signed /

[Position]
Terms and Conditions of Use of Secure Identification Devices
in connection with Use of Electronic Means to Process Applications
and Supporting Documentation

January 20, 2010

The World Bank (Bank)\(^6\) will provide secure identification devices (Tokens) to permit the Borrower\(^7\) to deliver applications for withdrawal and applications for special commitments under the Agreement(s) and supporting documentation (such applications and supporting documentation together referred to in these Terms and Conditions of Use as Applications) to the Bank electronically, on the terms and conditions of use specified herein.

A. Identification of Users.

1. The Borrower will be required to identify in a completed Authorized Signatory Letter (ASL) duly delivered to and received by the Bank each person who will be authorized to deliver Applications. The Bank will provide Tokens to each person identified in the ASL (Signatory), as provided below. The Borrower shall also immediately notify the Bank if a Signatory is no longer authorized by the Borrower to act as a Signatory.

2. Each Signatory must register as a user on the Bank’s Client Connection (CC) website (https://clientconnection.worldbank.org) prior to delivery of Tokens. Registration on CC will require that the Signatory establish a CC password (CC Password). The Signatory shall not reveal his/her CC Password to anyone or store or record the CC Password in written or other form. Upon registration as a CC user, the Signatory will be assigned a unique identifying account name.

B. Distribution, Initialization and Return of Tokens.

1. The Bank will physically deliver a Token to each Signatory in a manner to be determined by and satisfactory to the Bank.

2. At the time of delivery of a Token to a Signatory, the Signatory will receive a copy of these Terms and Conditions of Use for purposes of initializing the Token.

3. The Bank will verify that the Token, Temporary Password and Terms and Conditions of Use have been duly delivered to and received by the CC User.

4. Promptly upon receipt of the Token and Terms and Conditions of Use, the Signatory will access CC using his/her account name and CC Password and register his/her Token and set a personal identification number (PIN) to be used in connection with the use of his/her Token, after which the Token will be initialized for use by the Signatory exclusively for purposes of delivering Applications. Upon initialization of

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\(^6\) “Bank” includes IBRD and IDA.
\(^7\) “Borrower” includes the borrower of an IBRD loan, IDA credit, or Project Preparation Facility advance and the recipient of a grant.
the Token, the Signatory will be a “Token User”. The Bank will maintain in its
database a user account (Account) for each Token User for purposes of managing the
Token of the Token User. Neither the Borrower nor the Token User will have any
access to the Account.

5. Prior to first use of the Token by the Token User for delivering Applications, the
Borrower shall ensure that the Token User has received training materials provided
by the Bank in use of the Token.

6. Tokens shall be promptly returned to the Bank upon request of the Bank.

C. Management of Tokens.

1. Tokens will remain the property of the Bank.

2. Use of the Token is strictly limited to use in the delivery of Applications by the
Token User in the manner prescribed by the Bank in the Agreement(s) and these
Terms and Conditions. Any other use of the Token is prohibited.

3. The Bank assumes no responsibility or liability whatsoever for any misuse of the
Token by the Token User, other representatives of the Borrower, or third parties.

4. The Borrower undertakes to ensure, and represents and warrants to the Bank (such
representation and warranty being expressly relied upon by the Bank in delivery of a
Token to each Token User) that each Token User is provided, understands and will
abide by, these Terms and Conditions of Use, including without limitation the
following:

Security

4.1. The Token User shall not reveal his/her PIN to anyone or store or record the PIN in written
or other form.

4.2. The Token User shall not allow anyone else to utilize a Token to deliver an Application to
the Bank.

4.3. The Token User shall always logout from CC when not using the system. Failure to
logout properly can create a route into the system that is unprotected.

4.4. If the Token User believes a third party has learned his/her PIN or has lost his/her Token
he/she shall immediately notify clientconnection@worldbank.org.

4.5. The Borrower shall immediately notify the Bank at clientconnection@worldbank.org of
any lost, stolen or compromised Tokens, and take other reasonable steps to ensure such
Tokens are disabled immediately.
4.6. Tokens contain delicate and sophisticated instrumentation and therefore should be handled with due care, and should not be immersed in liquids, exposed to extreme temperatures, crushed or bent. Also, Tokens should be kept more than five (5) cm from devices that generate electromagnetic radiation (EMR), such as mobile phones, phone-enabled PDAs, smart phones and other similar devices. Tokens should be carried and stored separate from any EMR device. At close range (less than 5 cm), these devices can output high levels of EMR that can interfere with the proper operation of electronic equipment, including the Token.

4.7. Without derogating from these Terms and Conditions of Use, other technical instructions on the proper use and care Tokens are available at http://www.rsa.com.

5. Replacement

5.1. Lost, damaged, compromised (in terms of 4.5, above) or destroyed Tokens will be replaced at the expense of the Borrower.

5.2. The Bank reserves the right, in its sole discretion, not to replace any Token in the case of misuse, or not to reactivate a Token User’s Account.

6. Reservation of Right to disable Token

6.1. The Borrower shall reserve the right to revoke the authorization of a Token User to use a Token for any reason.

6.2. The Bank reserves the right, in its sole discretion, to temporarily or permanently disable a Token, de-activate a Token User’s Account or both.
## Statement of Expenditures (SOE)

Payments made during the period from ______________ to ______________

Date: ______________

Application No.: ______________

Grant: ______________

SOE No.: ______________

### Payments

<table>
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<tr>
<th>Item No.</th>
<th>Category No. (**)</th>
<th>Currency and Total Amount of Contract/Expenditures</th>
<th>Currency and Total Amount of Invoice Covered by Application (Net of Retention)</th>
<th>Eligible % from Grant Agreement</th>
<th>Amount Eligible for Financing (4 x 5)</th>
<th>Currency and Amount Paid from Designated Account (if Applicable)</th>
<th>Exchange Rate (Col. 7 divided by Col. 6)</th>
<th>Remarks</th>
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Supporting documents for this SOE retained at ______________

(insert location)

(*) A separate SOE form should be used for retroactive financing

(**) Items should be grouped by category; or alternatively, a separate SOE form may be used for each category
## Payments Made during Reporting Period
### Against Contracts Subject to the Association's Prior Review

<table>
<thead>
<tr>
<th>Contract Number</th>
<th>Supplier</th>
<th>Contract Date</th>
<th>Contract Amount</th>
<th>Date of Association’s No Objection to Contract</th>
<th>Amount Paid to Supplier during Period</th>
<th>Association’s Share of Amt Paid to Supplier during Period</th>
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