ADMINISTRATION ARRANGEMENT

1. With reference to the General Arrangement between the Netherlands Minister for Development Cooperation (the “Minister”) and the International Bank for Reconstruction and Development (“IBRD”) and the International Development Association (“IDA”) (collectively referred to as the “Bank”) dated May 14, 2003 (the General Arrangement) and the Supplement thereto, also dated May 14, 2003 (the Supplement).

2. The Minister has decided to support the Second Development Policy Operation (Loan Number 7926 - GE and Credit Number 4763 - GE) for Georgia with the Minister’s internal identification number 22152 and the Bank’s Reference Trust Fund No. TF071591 (the “Trust Fund”) by making available a grant in the amount of two million one hundred twenty six thousand Euro (€2,126,000) (the “Grant”), to be administered by the Bank in accordance with the terms and conditions set forth below.

3. The Grant will be used for the purpose of providing financing in support of the Second Development Policy Operation for Georgia (the Program).

4. Except as otherwise provided herein, the terms of the General Arrangement will apply to the Grant made available under this Administration Arrangement.

5. The Minister will deposit the Grant into such bank account designated by the Bank, promptly following countersignature of this Agreement by the Donor and submission of a payment request by the Bank.

6. When making such deposit, the Donor will instruct its bank to include in its payment details information (remittance advice) field of its SWIFT payment message, information indicating: the amount paid, that the payment is made by the Donor for TF071591, and the date of the deposit. In addition, the Donor will provide a copy of the Donor’s deposit instructions to the Bank’s Accounting Trust Funds Division by e-mail sent to tfremitadvice@worldbank.org or by fax sent to (202) 614-1315.

7. Notwithstanding Section 5.04 of the General Arrangement, the Bank will invest and reinvest the funds provided by the Minister under this Arrangement pending their disbursement in accordance with the Bank’s policies and procedures for the investment of trust funds administered by the Bank. The Bank will credit all income from such investment and reinvestment to the Balance Account (TF029003).

8. Notwithstanding Section 5.05 of the General Arrangement, in order to assist in the defrayment of the costs associated with the establishment of the Trust Fund, the Bank may, following deposit of the Grant by the Donor to the Trust Fund, deduct and retain for its own account from the Grant, an amount equivalent to thirty-five thousand United States dollars (US$35,000). In order to assist in the defrayment of the costs of administration and other expenses incurred by the Bank under this Agreement, the Bank may, following deposit of the Grant, deduct and retain for its own account an amount equal to five percent (5%) of the Grant.

9. For purposes of Article VII of the General Arrangement, the Minister may review or evaluate activities financed by the Trust Fund. The Minister and the Bank shall agree on the scope and conduct of such review or evaluation, and the Bank shall provide all relevant information within the limits of its
policies and procedures. All associated costs shall be borne by the Minister. It is understood that any such review or evaluation will not constitute a financial, compliance or other audit of the Trust Fund.

10. Accounting and Financial Reporting: The Bank shall maintain separate records and ledger accounts in respect of the Grant deposited in the Trust Fund Account and disbursements made therefrom. In addition, the Bank shall:

(a) Furnish to the Minister current financial information relating to receipts, disbursements and fund balance in Euros of the Trust Fund with respect to the Grant via the World Bank’s Trust Funds Donor Centre secure website. Within six (6) months after all commitments and liabilities under the Project have been satisfied and the Trust Fund has been closed, the final financial information relating to receipts, disbursements and fund balance in Euros of the Trust Fund with respect to the Grant will be made available to the Minister via the World Bank’s Trust Funds Donor Centre secure website.

(b) Provide to the Minister, within six (6) months following the end of each Bank fiscal year, an annual single audit report, comprising: (1) a management assertion together with an attestation from the Bank’s external auditors concerning the adequacy of internal control over cash-based financial reporting for all cash-based trust funds as a whole; and (2) a combined financial statement for all cash-based trust funds together with the Bank’s external auditor’s opinion thereon. The cost of the single audit shall be borne by the Bank.

11. If the Minister wishes to request, on an exceptional basis, a financial statement audit by the Bank’s external auditors of the Trust Fund, the Minister and the Bank shall first consult as to whether such an external audit is necessary. The Bank and the Minister shall agree on the appropriate scope and terms of reference of such audit. Following agreement on the scope and terms of reference, the Bank shall arrange for such external audit. The costs of any such audit, including the internal costs of the Bank with respect to such audit, shall be paid by the Minister.

12. The Grant may be used to finance expenditures for the Program commencing on the date of this Arrangement and ending on March 31, 2011. The Bank may make disbursement up to four months after the Closing Date for expenditures incurred on or before that date, in accordance with the Bank’s applicable policies and procedures (End-Disbursement Date of September 30, 2011).

13. Following the End-Disbursement Date specified in paragraph 12 above, the Bank shall return any remaining balance of the Grant to the Balance Account. In the event of a cancellation the Bank shall promptly return to the Balance Account the uncommitted Grant in accordance with Section 8.04 of the General Arrangement.

14. The Bank will disclose this Arrangement and related information on this Trust Fund in accordance with the World Bank Policy on Access to Information. By entering into this Arrangement, the Donor consents to disclosure of this Arrangement and related information on this Trust Fund.

15. The offices responsible for coordination of all matters related to this Administration Arrangement are:

For the Minister:  
Mr. Heino van Houwelingen  
Counsellor / Deputy Head of Mission  
Embassy of the Kingdom of the Netherlands  
Tbilisi, Georgia

For the Bank:  
Faruk Khan  
Senior Economist  
Europe and Central Asia Region  
The World Bank  
Washington, D.C., USA
Signed in duplicate,

FOR THE MINISTER FOR DEVELOPMENT COOPERATION OF THE NETHERLANDS

/s/ Pieter Jan Langenberg  
Ambassador  
Embassy of the Kingdom of the Netherlands  
Tbilisi, Georgia

Date: November 22, 2010

FOR THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION

/a/ Asad Alam  
Country Director  
South Caucasus Country Department  
Europe and Central Asia Region

Date: November 22, 2010