Mr. Kakha Baindurashvili  
Minister of Finance  
Ministry of Finance  
Tbilisi, Georgia  

Dear Mr. Baindurashvili:

Re: Credit Number 4516-GE  
Regional and Municipal Infrastructure Development Project  
Amendment to the Financing Agreement  

We refer to the Financing Agreement for the above-referenced Credit between Georgia (the Recipient) and the International Development Association (the Association) dated October 3, 2008 (the Financing Agreement). We also refer to your letter dated August 16, 2010 requesting the amendment of the Financing Agreement.

We are pleased to inform you that the Association, after due consideration, has acceded to the above request. Accordingly, the Financing Agreement is hereby amended as follows:

1. Part B of the Project under Schedule 1 to the Financing Agreement, is hereby amended to read as follows:

   “Part B: Emergency Rehabilitation and Construction

   Infrastructure restoration and improvement of housing conditions for conflict affected people in Georgia, which includes: (i) increasing the volume of water supply, improving public water standpipes and provision of grey water house connection to about 1963 internally displaced people’s houses in eleven (11) settlements; (ii) rehabilitating drainage channels and pedestrian crossings in eleven (11) settlements, and constructing a bridge at the Mtkvari River leading to Akhalsopeli settlement; (iii) providing about 133 solid-waste containers and eleven (11) trucks in twelve (12) settlements; and (iv) improving the physical conditions of the walls and floors, and provision of entrance sheds and air ventilators in about 1263 houses in nine (9) settlements, all through the carrying out of works and provision of goods and consultants’ services.”

2. Section II.B.2 under Schedule 2 to the Financing Agreement is hereby amended to read as follows:

   “2. Without limitation on the provisions of Part A of this Section, the Recipient shall cause the Project Implementing Entity to prepare and furnish to the Association 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 Association.”
3. The percentage of expenditures to be financed for Category (1) (c) “Works and Goods under Part B of the Project” as set out in the table of paragraph 2 under Section IV.A of Schedule 2 to the Financing Agreement and the amount of the financing allocated to each Category set forth in the said table are hereby amended to read as follows:

<table>
<thead>
<tr>
<th>“Category”</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works and Goods under:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Part A.1 of the Project</td>
<td>4,200,000.00</td>
<td>50%</td>
</tr>
<tr>
<td>(b) Part A.2 of the Project</td>
<td>14,000,000.00</td>
<td>85%</td>
</tr>
<tr>
<td>(c) Part B of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) For expenditures made prior to the date of this Amendment</td>
<td>4,193,632.12</td>
<td>50%</td>
</tr>
<tr>
<td>(ii) For expenditures made after the date of this Amendment</td>
<td>2,172,367.88</td>
<td>40%</td>
</tr>
<tr>
<td>(2) Consultants’ services</td>
<td>854,000</td>
<td>80%</td>
</tr>
<tr>
<td>(3) Training</td>
<td>80,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>25,500,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

4. All other terms and conditions of the Financing Agreement shall remain unchanged and in full force and effect.
Please confirm your agreement with the foregoing, on behalf of the Recipient, by signing, dating, and returning to us the enclosed copy of this Amendment Letter. Upon receipt by the Association of the copy of this Amendment Letter countersigned by you, this Amendment Letter will become effective as of the date of your countersignature.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Asad Alam  
Regional Director  
South Caucasus Country Department  
Europe and Central Asia Region

AGREED AND CONFIRMED:

GEORGIA

By: /s/Kakha Baindurashvili  
Authorized Representative

Name: Kakha Baindurashvili  
Title: Minister of Finance of Georgia  
Date: September 13, 2010