Project Agreement

(Additional Financing for Second Regional Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

MUNICIPAL DEVELOPMENT FUND

Dated May 4, 2016
Agreement dated May 7, 2016, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and MUNICIPAL DEVELOPMENT FUND ("Project Implementing Entity") ("Project Agreement") in connection with the Loan Agreement ("Loan Agreement") of same date between GEORGIA ("Borrower") and the Bank. The Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Loan 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 Loan Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objective of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article V of the General Conditions, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. The Project Implementing Entity’s Representative is its Executive Director.

3.02. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America
3.03. The Project Implementing Entity’s Address is:

Municipal Development Fund
150, D. Agmashenebeli Avenue
Tbilisi 0112
Georgia

Facsimile:
995-32-2437077

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

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By:

[Signature]
Authorized Representative

Name: Mercy Miyang Tembon
Title: Country Director

MUNICIPAL DEVELOPMENT FUND

By:

[Signature]
Authorized Representative

Name: Juanser Buschuladze
Title: Executive Director
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

The Project Implementing Entity shall carry out the Project in accordance with the Loan Agreement, this Agreement, the Subsidiary Agreement and the Project Operations Manual and shall not amend, suspend, abrogate, repeal or waive any provision of said Manual without the prior written approval of the Bank.

B. Anti-Corruption

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

C. Investment Subprojects

1. For purposes of Part A of the Project, the Project Implementing Entity shall carry out Investment Subprojects for the benefit of the Beneficiaries, in each case under an Investment Subproject Agreement with each Beneficiary, in accordance with eligibility criteria and procedures acceptable to the Bank, and set forth in the Project Operations Manual, which shall include the following:

   (a) Investment Subprojects shall be selected in accordance with the selection criteria set forth in the Project Operations Manual.

   (b) No expenditures for goods, works or services required for an Investment Subproject shall be eligible for financing out of the proceeds of the Loan unless they shall have been approved by the Bank.

   (c) When presenting an Investment Subproject to the Bank for approval, the Project Implementing Entity shall furnish to the Bank a Subproject Summary Report or a Subproject Appraisal Report, in form satisfactory to the Bank, which shall include: (i) the description of the proposed Investment Subproject and the respective expenditures proposed to be financed out of the proceeds of the Loan; (ii) the Environmental Assessment category and risk rating assigned to the proposed Investment Subproject and confirmation that all relevant requirements for preparation of EA or a self-standing EMP and RAP have been met; (iii) technical, financial and economic analysis of the proposed Investment Subproject; and (iv) the proposed terms and conditions to govern the Investment Subproject and to be included in the Investment Subproject Agreement.
2. The Project Implementing Entity shall enter into Investment Subproject Agreements under terms and conditions approved by the Bank, which shall include that the Project Implementing Entity shall obtain rights and obligations adequate to protect its interests and those of the Borrower and the Bank, including the right to:

(a) require the respective Beneficiary to operate the respective Investment Subproject with due diligence and efficiency and in accordance with sound technical, financial, managerial and environmental and social standards and practices satisfactory to the Bank; and

(b) inspect, by itself or jointly with representatives of the Bank if the Bank shall so request, such goods, works, plants and construction included in the Investment Subprojects, the operation thereof, and any relevant records and documents.

3. The Project Implementing Entity shall exercise its rights under each Investment Subproject Agreement in such manner as to protect its interests and those of the Borrower and the Bank, and to accomplish the purposes of the Loan. Except as the Borrower and the Bank shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive any Investment Subproject Agreement or any of its provisions.

D. Safeguards

1. The Project Implementing Entity shall carry out the Project in accordance with the provisions of the EMF, EA(s), EMP(s), RPF and RAP(s). The Project Implementing Entity shall not assign, amend, abrogate or waive the EMF, EA(s), EMP(s), RPF and RAP(s) or any provision thereof, without the prior approval of the Bank.

2. For purposes of Part A of the Project, the Project Implementing Entity shall:

(a) prior to the preparation of the Subproject Summary Report or Subproject Appraisal Report for each Investment Subproject, submit to the Bank for its approval: (i) the proposed design and site for said Investment Subproject; (ii) the proposed environmental assessment category and risk rating assigned thereto; (iii) the proposed environmental instrument to be prepared; and (iv) the assessment of whether a RAP would need to be prepared for the said Investment Subproject;

(b) when presenting an Investment Subproject to the Bank for approval, furnish to the Bank a Subproject Summary Report or a Subproject Appraisal Report, in form satisfactory to the Bank, which includes: (i) the description of the proposed Investment Subproject and the respective
expenditures proposed to be financed out of the proceeds of the Loan; (ii) the related EA or a self-standing site-specific EMP and RAP, as the case may be, in form and substance satisfactory to the Bank; (iii) technical, financial and economic analysis of the proposed Investment Subproject; and (iv) the proposed terms and conditions of the Investment Subproject Agreement to be used for the Investment Subproject;

(c) prior to the issuance of the bidding documents for the works contract for each Investment Subproject, prepare and submit to the Bank for its approval: (i) the draft bidding documents, including site-specific EMP; and (ii) the evidence that the said EMP has been disclosed and consulted with Investment Subproject-affected people; and

(d) if an Investment Subproject requires land acquisition or resettlement, prior to the commencement of the works under such Investment Subproject, ensure that the owners and users of the land or other property affected by said works are fully compensated in accordance with the provisions of the RAP(s).

3. The Project Implementing Entity shall: (a) ensure that all activities undertaken for the purpose of carrying out of the Project comply with environmental standards and guidelines satisfactory to the Bank; (b) ensure that the selection of any Investment Subproject under Part A of the Project is done in accordance with the provisions of the EMF; (c) ensure the complete implementation of the EMP(s) in a manner acceptable to the Bank, including all necessary measures to minimize and to mitigate any adverse environmental impacts caused by the implementation of the Project; and (d) maintain its environmental unit with competent staff in adequate numbers and with such responsibilities and functions acceptable to the Bank as shall enable the Project Implementing Entity to manage, coordinate and monitor the implementation of the EMP(s).

4. Prior to carrying out any Investment Subproject that requires land acquisition or resettlement, in the opinion of the Bank, the Project Implementing Entity shall:

(a) prepare the RAP(s) according to the RPF;

(b) maintain and publicize the availability of, grievance procedures to hear and determine fairly and in good faith, in accordance with the RPF, all complaints raised in relation to the implementation of the RAP(s), and take all measures necessary to implement the determinations made under such grievance procedures;

(c) review consistency of the RAP(s) with the RPF and confirm implementation of RAP(s) prior to commencement of works under each Investment Subproject for which a RAP has been prepared;
(d) employ a resettlement expert, satisfactory to the Bank, to conduct an ex-post review of the implementation of the RAP(s);

(e) furnish promptly to the Bank the findings and recommendations for follow up action resulting from each such review; and

(f) implement all such recommendations for follow up action as are agreed with the Bank.

Section II. Project Monitoring, Reporting and Evaluation.

A. Project Reports

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

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.

2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Borrower and the Bank not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.