Project Agreement

(Second Regional Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

MUNICIPAL DEVELOPMENT FUND

Dated November 9, 2012
PROJECT AGREEMENT

Agreement dated November 9, 2012, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and MUNICIPAL DEVELOPMENT FUND ("Project Implementing Entity") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of same date between GEORGIA ("Recipient") and the Association. The Association 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 Financing 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV 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 Association 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 the Executive Director of the Municipal Development Fund.

3.02. The Association’s Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable: Telex: Facsimile:
INDEVAS 248423(MCI) 1-202-477-6391
Washington, D.C.
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 DEVELOPMENT ASSOCIATION

By

_________________________
Henry Kereli
Authorized Representative
Name: Henry Kereli
Title: Regional Director

MUNICIPAL DEVELOPMENT FUND

By

_________________________
Authorized Representative
Name: Levan Chichinadze
Title: Executive Director
SECTION I. Implementation Arrangements

A. Institutional Arrangements

Eligibility of a Participating LSG from the Imereti region shall be determined on the basis of eligibility criteria set forth in the Operations Manual and monitoring to be carried out by the Project Implementing Entity in accordance with the provisions of Section I.A.1 of Schedule 2 to the Financing Agreement, with respect to the performance of the Participating LSG's and the National Museum of Georgia under their respective Investment Subproject Agreement. The Project Implementing Entity shall not assign, amend, abrogate or waive the Operations Manual or any provision thereof, without the prior approval of the Association.

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. Selection Procedures for and Terms and Conditions of Investment Subproject Financing

1. Investment Subprojects shall be selected in accordance with the selection criteria set forth in the Operations Manual.

2. Investment Subproject Financing shall be made in accordance with terms and conditions set forth in the Operations Manual.

3. No expenditures for goods, works or services required for an Investment Subproject shall be eligible for financing out of the proceeds of the Financing unless the Investment Subproject Financing for such Investment Subprojects shall have been approved by the Association.

4. When presenting an Investment Subproject Financing to the Association for approval, the Project Implementing Entity shall furnish to the Association a SAR, in form satisfactory to the Association, which includes: (i) the description of the proposed Investment Subproject and the respective expenditures proposed to be financed out of the proceeds of the Financing; (ii) the Environmental Assessment category and risk ranking assigned to the proposed Investment Subproject and confirmation that all relevant requirements for preparation of Environmental Assessment, Environmental Management Plan and/or Resettlement Action Plan have been met; (iii) technical, financial and economic analysis of the proposed Investment Subproject; and (iv) the proposed terms and conditions of the Investment Subproject Financing to be used for the Investment Subprojects.
6. Investment Subproject Financing shall be made on terms whereby the Project Implementing Entity shall obtain, by virtue of the Investment Subproject Agreement entered into with the respective Participating LSG and the National Museum of Georgia, rights and obligations adequate to protect the interests of the Association and the Project Implementing Entity, including the right to:

(a) require the respective Participating LSG and the National Museum to operate the respective Investment Subproject(s) with due diligence and efficiency and in accordance with sound technical, financial, managerial and environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of Anti-Corruption Guidelines applicable to the recipients of the loan proceeds other than the Recipient, and to maintain adequate records;

(b) require that: (i) the goods, works and consultants’ services to be financed out of the proceeds of the Financing shall be procured in conformity with the provisions of Schedule 2 to the Financing Agreement; and (ii) such goods, works and services shall be used exclusively for the carrying out of the Investment Subprojects;

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

(d) obtain all such information as the Association or the Project Implementing Entity shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the respective Participating LSG and the National Museum and to the benefits to be derived from the Investment Subprojects; and

(e) suspend or terminate the right of the respective Participating LSG and the National Museum to the benefits of the Project upon failure by such Participating LSG and/or the National Museum to perform its obligations under its agreement with the Project Implementing Entity.

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/or RAP(s) or any provision thereof, without the prior approval of the Association.

2. For purposes of Part A of the Project, the Project Implementing Entity shall: (a) prior to the issuance of the bidding documents for the works contract under any Investment Subproject, prepare and submit to the Association for its approval: (i) the proposed design and site for said works and, the related EA and/or site-specific EMP, as the case may be, in form and substance satisfactory to the Association; and (ii) the draft contract
for said works to ensure that the provisions of said site-specific EMP are adequately included in said contract; (b) if an Investment Subproject requires land acquisition or resettlement, prior to the signing of the contract for said works under such Investment Subproject, prepare and submit to the Association for its approval the site-specific land acquisition and/or resettlement action plan(s) (RAP(s)) in form and substance satisfactory to the Association; and (c) 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 where said works are to be implemented 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 Association; (b) ensure that for the purpose of any Investment Subproject, the selection of any Investment Subproject site 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 Association, 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 Association as shall enable the Project Implementing Entity to manage, coordinate and monitor the implementation of the EMP(s).

4. If an Investment Subproject requires land acquisition or resettlement, the Project Implementing Entity shall: (a) prepare 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) by those being resettled (as that term is defined in the RAP) or by those in host communities who are adversely affected by the implementation of the RPF, and take all measures necessary to implement the determinations made under such grievance procedures; (c) employ a resettlement expert, satisfactory to the Association, to conduct an ex post review of the implementation of the RAP(s); (d) furnish promptly to the Association the findings and recommendations for follow up action resulting from each such review; and (e) implement all such recommendations for follow up action as are agreed with the Association.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Recipient not later two weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association 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 Association, 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 Association, in accordance with consistently applied auditing standards acceptable to the Association. 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 Recipient and the Association 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 Association.

Section III. Procurement

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