H.E. Mr. Nodar Khaduri  
Minister of Finance  
Ministry of Finance  
16 Gorgasali Street  
0114 Tbilisi, Georgia

Re: Georgia  
Transmission Grid Strengthening Project  
Loan No. 8377-GE  
Amendment No. 1 to the Loan Agreement

Excellency:

We refer to the above-referenced Loan Agreement between Georgia ("Borrower") and the International Bank for Reconstruction and Development ("Bank") dated September 3, 2014. We also refer to your letters dated December 25, 2015 and July 6, 2016 requesting to use existing savings under the Project for additional activities. Please note that capitalized terms used in this letter (the "Amendment Letter") and not defined herein have the meaning ascribed to them in the Loan Agreement.

In view of the above and our recent discussions, the Bank proposes to amend the Loan Agreement as follows:

1. Schedule 1 to the Loan Agreement is hereby amended and replaced in its entirety by Schedule 1 attached to this Amendment Letter.

2. Section IV.B.1 of Schedule 2 to the Loan Agreement is hereby amended and replaced in its entirety to read as follows:

   “1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) for payments made prior to the date of this Agreement.

   (b) for payments made prior to the date of the Amendment Letter, except that withdrawals up to an aggregate amount not to exceed $9,700,000 may be made for payments made prior to the date of the Amendment Letter but on or after December 25, 2015 for Eligible Expenditures under Category I with respect to Parts A.2 and A.3 of the Project.”

3. A new paragraph 2 is added to the Appendix to the Loan Agreement, and subsequent paragraphs are renumbered, as follows:

   “2. “Amendment Letter” means the letter dated July 28, 2016 containing amendment No. 1 to the Loan Agreement.”
4. Paragraph 7 of the Appendix to the Loan Agreement (formerly paragraph 6) is hereby amended and replaced in its entirety to read as follows:

"7. "ESMP" means the Borrower’s environmental and social management plan, acceptable to the Bank, dated April 4, 2014 and included in the ESIA Report, and the Borrower’s self-standing environmental and social management plan, acceptable to the Bank, dated June 24, 2016, both describing the environmental and social mitigation, monitoring and institutional measures to be undertaken during the implementation of the Project, and satisfactory to the Bank."

All other terms and conditions of the Loan Agreement remain in full force and effect.

Please confirm your agreement with the foregoing amendment, on behalf of the Borrower, by signing and dating this Amendment Letter in the spaces provided below. This Amendment Letter shall be executed in two counterparts each of which shall be an original and one of which shall be returned to us. This Amendment Letter shall become effective as of the date of notification by the Borrower to the Bank of completion of its internal approval procedures.

Please also note that the Restructuring Paper dated July 7, 2016 will be disclosed on the Bank’s external website as per the Bank’s policy on Access to Information.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By ____________________________
Mercy Tembon
Regional Director
South Caucasus: Armenia, Azerbaijan and Georgia
Europe and Central Asia Region

AGREED:

GEORGIA

By: ______________________________
Authorized Representative

Title: Minister of Finance

Date: 08.12.2016 / August 12, 2016

Enclosure
SCHEDULE 1

Project Description

The objectives of the Project are to provide reliable power transmission to the southwestern part of the grid, upgrade electricity exchange systems, and provide economically efficient, environmentally and socially sustainable electricity sector planning.

The Project consists of the following parts:

Part A: Transmission System Strengthening

(1) Construction of a high voltage transmission line from Akhaltsikhe to Batumi, through: (a) the supply and installation of a double-circuit, 220 kV transmission line from Akhaltsikhe back-to-back and 500/400/220 kV substation (Akhaltsikhe station) to Batumi 220 kV substation; and (b) the supervision of the supply and installation of the Akhaltsikhe Batumi transmission line.

(2) Provision of equipment of high voltage transmission lines connecting substations Tskaltubo, Kutaisi and Zestafoni.

(3) Rehabilitation of the high voltage transmission line Kolkhida-1 connecting substations Menji and Kutaisi.

Part B: Wholesale Power Exchange Platform

(1) Design, supply and installation of a power exchange platform including: (a) the provision of hardware and software for metering, balancing, and trading systems; and (b) the supervision of the supply and installation of the said platform.

(2) Updating of the Supervisory Control and Data Acquisition and Energy Management Systems.

Part C: Electricity Sector Strategic Environmental and Social Assessment

Preparation of an electricity sector strategic environmental and social assessment.

Part D: Project Management and Transmission Systems Studies

Provision of assistance to the Project Implementing Entity for the purposes of: (1) effective management and implementation of Project activities; and (2) the preparation of: (a) a new transmission-system expansion plan; (b) prospective transmission line feasibility studies; and (c) the preliminary designs for the prospective transmission lines.