

**OFFICIAL
DOCUMENTS**

CREDIT NUMBER 5456-GE

Financing Agreement

(Irrigation and Land Market Development Project)

between

GEORGIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *November 21*, 2014

Public Disclosure Authorized

CREDIT NUMBER 5456 -GE

FINANCING AGREEMENT

AGREEMENT dated *November 21*, 2014, entered into between GEORGIA ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to thirty two million and four hundred thousand Special Drawing Rights (SDR 32,400,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.
- 2.06. The Payment Dates are May 15 and November 15 in each year.

- 2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.08. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out: (a) Parts A and C.1 of the Project through the Ministry of Agriculture; and (b) Parts B and C.2 of the Project through the Ministry of Justice, all in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Condition of Effectiveness consists of namely that the Recipient has submitted to the Association: (a) the Operational Manual for Parts A and C.1 of the Project; and (b) the Operational Manual for Parts B and C.2 of the Project, both including the financial management chapter in form and substance satisfactory to the Association.
- 4.02. The Effectiveness Deadline is the date one hundred and twenty (120) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is its Minister of Finance.
- 5.02. The Recipient's Address is:

Ministry of Finance
16 Gorgasali Street
0114 Tbilisi
Georgia

Facsimile:

995-32-2261461

5.03. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:
INDEVAS
Washington, D.C.

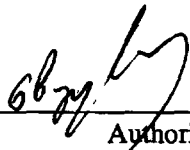
Telex:
248423 (MCI)

Facsimile:
1-202-477-6391

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

GEORGIA

By



Authorized Representative

Name: Nodar Khaduri

Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Henry Kerali

Title: Regional Director

SCHEDULE 1

Project Description

The objectives of the Project are to: (i) improve the delivery of irrigation and drainage services in selected areas; and (ii) develop improved policies and procedures as a basis for a national program of land registration.

The Project consists of the following parts:

Part A: Irrigation and Drainage Improvement

1. Rehabilitation and modernization of existing irrigation and drainage schemes selected under the Project which consist of primary, secondary and tertiary canals and other major structures such as head-works and dams, through the carrying out of works and provision of goods and consultants' services.
2. Provision of goods and consultants' services for strengthening of irrigation and drainage institutions through: (a) the preparation of the national irrigation and drainage strategy; (b) a national rehabilitation and modernization plan; (c) capacity building of UASCG in management, operations and maintenance; (d) upgrading of UASCG machinery and equipment for maintenance; (e) the preparation of operations, maintenance and financing plans for Project select schemes; (f) the development of institutional arrangements for on-farm irrigation service delivery; and (g) the preparation of the UASCG annual operational plans for 2015-2016.

Part B: Land Market Development

1. Development of policies and procedures for land registration including the preparation of the Guidelines for Land Registration, through the provision of consultants' services.
2. Carrying out a pilot for land registration in selected areas, through the provision of goods, consultants' services and Training.
3. Development and implementation of a system for monitoring land registration, and evaluating its economic impact through the provision of consultants' services.

Part C: Project Management

Supporting Project management, including coordination and technical supervision of the implementation, financial management, procurement, monitoring and evaluation and progress reporting through the provision of goods and consultants' services for: (1) Part A of the Project; and (2) Part B of the Project.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The Recipient shall: (a) through the Ministry of Agriculture, cause the Project Planning and Monitoring Division to carry out Parts A and C.1 of the Project; and (b) through the Ministry of Justice, cause the National Agency for Public Registry to carry out Parts B and C.2 of the Project, with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, public utility, environmental practices and in accordance with this Agreement, the Operational Manual for Parts A and C.1 of the Project and the Operational Manual for Parts B and C.2 of the Project respectively. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any provision of said manuals without the prior written approval of the Association.

B. Anti-Corruption

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

C. Safeguards

1. The Recipient shall ensure that the Project is carried out in accordance with the provisions of the ESMF, EMP(s), RPF and RAP(s). The Recipient shall not assign, amend, abrogate or waive the ESMF, 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 Recipient shall: (a) prior to the issuance of the bidding documents for the works contract for each irrigation and drainage scheme, prepare and submit to the Association for its approval: (i) the proposed design and site for said works and, the related site-specific EMP 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) prior to the signing of the contract for said works, prepare and submit to the Association for its approval, the site-specific land acquisition and/or resettlement action plan(s) in form and substance satisfactory to the Association; and (c) prior to the commencement of the works, 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 resettlement action plan(s) that have been approved by the Association (RAP(s)).

3. The Recipient 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 the selection of any irrigation and drainage scheme under Part A of the Project is done in accordance with the provisions of the ESMF; (c) ensure the complete implementation of the EMPs 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 the Project Planning and Monitoring Division's environmental unit with competent staff in adequate numbers and with such responsibilities and functions acceptable to the Association, as shall enable the Project Planning and Monitoring Division to manage, coordinate and monitor the implementation of the EMPs.
4. The Recipient shall: (a) ensure that the Project Planning and Monitoring Division prepares RAPs according to the RPF; (b) maintain or cause to be maintained by Project Planning and Monitoring Division, and publicize or cause to be publicized by Project Planning and Monitoring Division, 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 RAPs 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) through Project Planning and Monitoring Division, employ a resettlement expert, satisfactory to the Association, to conduct an ex post review of the implementation of the RAPs; (d) through Project Planning and Monitoring Division, furnish promptly to the Association the findings and recommendations for follow up action resulting from each such review; and (e) through Project Planning and Monitoring Division, implement all such recommendations for follow up action as are agreed with the Association.
5. For the purpose of carrying out Part A.1 of the Project, the Recipient shall establish a dam safety panel, in accordance with the ESMF prior to commencing any works.
6. The Recipient shall include in the Project Reports referred to in Section II.A of this Schedule, adequate information on the implementation of the ESMF, the RPF, EMPs, and RAPs, giving details of:
 - (a) measures taken in furtherance of the ESMF, the RPF, any environmental assessment or similar safeguard instrument, RAPs and EMPs;
 - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the ESMF, the RPF, any EMP or similar safeguard instrument, and any RAP; and

- (c) remedial measures taken or required to be taken to address such conditions and to ensure the continued efficient and effective implementation of the ESMF, the RPF, any EMP or similar safeguard instrument, and any RAP.
7. For the purposes of carrying out Part B.2 of the Project, the Recipient shall: (a) furnish to the Association for approval, the draft guidelines for land registration prepared in accordance with terms of reference acceptable to the Association, including that the guidelines be fully consistent with the Safeguards Documents and the Association's Safeguard Policies; and (b) upon approval by the Association, implement Part B.2 of the Project according to the provision of the Guidelines for Land Registration.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient 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 the indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

- 1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
- 2. The Recipient shall 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 Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.
- 4. The Recipient shall, through the Ministry of Agriculture, appoint an independent auditor for the Project with terms of reference and qualifications acceptable to the Association, in accordance with the provisions of Section III of this Schedule.

Section III. Procurement

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:

Procurement Method

(a) National Competitive Bidding, subject to the additional provisions set forth in below:

- (i) "Open competitive procedures" (i.e. "public tender") shall be the default rule. A single envelope procedure shall be used for the submission of goods, works, or non-consulting services.
- (ii) Invitations to bid shall be advertised in at least one widely circulated national daily newspaper allowing a minimum of thirty (30) days for the preparation and submission of bids. Advertisements published in foreign language newspapers shall be in compliance with such a 30-day-minimum in number of days for bids preparation and submission.
- (iii) Bidding shall not be restricted to pre-registered firms. If registration is required, it shall not be denied to eligible bidders for reasons unrelated to their capacity and resources to successfully perform the contract (e.g., mandatory membership in professional organizations, classification, etc). Post-qualification shall be conducted to verify that the bidder has the capability and resources to successfully perform the contract.
- (iv) Government-owned enterprises in Georgia shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the Government. Government-owned enterprises will be subject to the same bid and performance security requirements as other bidders.
- (v) Procuring entities shall use the appropriate Association's sample bidding documents, including pre-qualification documents, for the procurement of goods, works, or non-consulting services, and such documents shall contain draft contract and conditions of contract including clauses on fraud and corruption, audit and publication of award, all acceptable to the Association.
- (vi) Bids shall be opened in public, immediately after the deadline for submission of bids. Bidder's representatives shall be permitted to attend the bid opening.
- (vii) Extension of bid validity shall be allowed once only for not more than thirty (30) days. No further extensions should be

Procurement Method	
	requested without the prior approval of the Association.
(viii)	Evaluation of bids shall be based on quantifiable criteria expressed in monetary terms as defined in the bidding documents, no merit point system and no domestic preference shall be used in the evaluation of bids. Contracts shall be awarded to qualified bidders having submitted the lowest evaluated substantially responsive bid and no negotiations shall be carried out prior to contract award.
(ix)	Civil works contracts of long duration (e.g. more than eighteen (18) months) shall contain an appropriate price adjustment clause.
(x)	No bid shall be rejected purely on the basis that the bid price is higher than the estimated budget for that procurement. All bids shall not be rejected and new bids solicited without the Association's prior concurrence.
(b)	Shopping
(c)	Direct Contracting

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan:

Procurement Method	
(a)	Quality-Based Selection
(b)	Selection under a Fixed Budget
(c)	Least Cost Selection
(d)	Selection Based on Consultants' Qualifications
(e)	Single-Source Selection of consulting firms
(f)	Procedures set forth in paragraphs 5.1-5.5 of the Consultant Guidelines for the Selection of Individual Consultants

Procurement Method	
(g)	Single-source procedures for the Selection of Individual Consultants

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs for:		
(a) Part A.1 of the Project	27,310,000	100%
(b) Part A.2 of the Project	2,270,000	100%
(c) Part C.1 of the Project	1,250,000	100%

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(2) Goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs for:		
(a) Parts B.1, B.3 and C.2 of the Project	590,000	100%
(b) Part B.2 of the Project	980,000	100%
TOTAL AMOUNT	<u>32,400,000</u>	

B. Withdrawal Conditions; Withdrawal Period

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, except that withdrawals up to an aggregate amount not to exceed SDR 3,900,000 equivalent may be made for payments made prior to this date but on or after March 18, 2014, for Eligible Expenditures under Categories (1)(a) and (1)(c);
 - (b) under Category (1)(a) for works under Part A.1 of the Project, unless and until the Recipient has established the dam safety panel in accordance with the provisions of paragraph 5 of section I.C of this Schedule; or
 - (c) under Categories (2)(a) and (2)(b), unless and until the Recipient's Ministry of Justice has: (i) established an automated accounting system satisfactory to the Association to be utilized by NAPR for Project accounting, budgeting and reporting; and (ii) appointed a financial manager whose terms of reference, qualifications and experience shall be acceptable to the Association, to assume the responsibilities of the Project financial manager within the NAPR.

(d) under Category (2)(b), unless and until the Recipient has adopted the Guidelines for Land Registration prepared and approved in accordance with the provisions of paragraph 7 of Section I.C of this Schedule.

2. The Closing Date is July 31, 2019.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each May 15 and November 15:	
commencing November 15, 2019 to and including May 15, 2029	1.65%
commencing November 15, 2029 to and including May 15, 2039	3.35%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.
2. “Association’s Safeguard Policies” mean the Association’s operational policies and procedures set forth in the Association’s Operational Manual under OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60, as said manual is published under www.WorldBank.org/opmanual.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.
5. “Environmental and Social Management Framework” or “ESMF” means the Recipient’s framework dated January 29, 2014, acceptable to the Association referred to in Section I.C of Schedule 2 to this Agreement, setting forth the modalities for environmental and social screening and procedures/actions for the preparation and implementation of environmental assessments and management plans under the Project and including measures for pest management and dam safety, and such term includes all schedules and annexes to the ESMF.
6. “Environmental Management Plan” or “EMP” means the environmental management plan(s) to be prepared and disclosed by the Recipient in accordance with the Environmental and Social Management Framework with respect to the Project activities in accordance with Section I.C of Schedule 2 to this Agreement and which have been found satisfactory by the Association. Such plan(s) shall specify the environmental mitigation, monitoring and institutional measures.
7. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
8. “Guidelines for Land Registration” means the Recipient’s guidelines acceptable to the Association, prepared in compliance with the Association’s Safeguard Policies setting forth the policies and procedures for land registration for carrying out land registration on a pilot basis under Part B of the Project.
9. “Incremental Operating Costs” means reasonable and necessary incremental expenses incurred by the Recipient with respect to Project implementation,

management and monitoring, including the costs of support staff salaries (excluding salaries of the Recipient's civil service staff), communication, editing, printing and publication, translation, vehicle operation and maintenance, bank charges, local travel costs and field trip expenses, office rentals, utilities, equipment and supplies, based on the Project semi-annual budget satisfactory to the Association.

10. "Ministry of Agriculture" means the Recipient's Ministry of Agriculture or any successor thereto
11. "Ministry of Finance" means the Recipient's Ministry of Finance or any successor thereto.
12. "Ministry of Justice" means the Recipient's Ministry of Justice or any successor thereto.
13. "National Agency for Public Registry" or "NAPR" means the Recipient's agency for public registry established by virtue of Law of Georgia on State Registry dated June 1, 2004.
14. "Operational Manual for Parts A and C.1 of the Project" means the manual prepared by the Recipient's Ministry of Agriculture, specifying the administrative, engineering, financial, and environmental policies and procedures for the execution of the Project, as such manual may be amended from time to time with the agreement of the Association.
15. "Operational Manual for Parts B and C.2 of the Project" means the manual prepared by the Recipient's Ministry of Justice, specifying the administrative, engineering, financial, and environmental policies and procedures for the execution of the Project, as such manual may be amended from time to time with the agreement of the Association.
16. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.
17. "Procurement Plan" means the Recipient's procurement plan for the Project, dated March 18, 2014 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
18. "Project Planning and Monitoring Division" means a division within the international relations department of the Ministry of Agriculture, or any successor thereto.

19. “Resettlement Action Plan” or “RAP” means a resettlement action plan, to be prepared and disclosed by the Recipient for carrying out activities under the Project in accordance with the Resettlement Policy Framework (as hereinafter defined), to set out, *inter alia*, the principles and objectives, the affected persons’ eligibility criteria, compensation, assistance and rehabilitation entitlements, as well as the monitoring and reporting arrangements in conformity with the Resettlement Policy Framework (as hereinafter defined) and which have been found satisfactory by the Association.
20. “Resettlement Policy Framework” or “RPF” means the Recipient’s framework dated January 29, 2014, satisfactory to the Association referred to in Section I.C of Schedule 2 to this Agreement, defining the modalities for land acquisition, resettlement and rehabilitation of displaced persons under Part A of the Project and describing the policies, procedures, plans and actions (including the resettlement action plan), and institutional measures related to land acquisition and other social impacts that may arise during the Project and other phases related to Part A of the Project, and satisfactory to the Association.
21. “Training” means expenditures incurred by the Recipient in connection with carrying out training activities under the Project, including travel costs and per diem for local trainees, study tours, workshops, conferences, rental of facilities and equipment and training materials and related supplies, based on the Project semi-annual budget satisfactory to the Association.
22. “UASCG” means the United Amelioration Service Company for Georgia established and operating by virtue of Order No. 1-3/191 dated March 16, 2012.