

CONFORMED COPY

CREDIT NUMBER 3020 GE

Project Agreement

(Social Investment Fund Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

GEORGIAN SOCIAL INVESTMENT FUND

Dated January 21, 1998

CREDIT NUMBER 3020 GE

PROJECT AGREEMENT

AGREEMENT, dated January 21, 1998, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and GEORGIAN SOCIAL INVESTMENT FUND (GSIF).

WHEREAS (A) by the Development Credit Agreement of even date herewith between GEORGIA (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to fourteen million six hundred thousand Special Drawing Rights (SDR 14,600,000) on the terms and condition set forth in the Development Credit Agreement, but only on condition that the GSIF agree to undertake such obligations toward the Association as are set forth in this Agreement; and

(B) The GSIF, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) The GSIF declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall: (i) carry out Parts A through C of the Project with due diligence and efficiency and in conformity with appropriate administrative and financial practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project; and (ii) shall assist SDS in matters of procurement, preparation of disbursement documentation, reporting and monitoring of Part D of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and the GSIF shall otherwise agree, the GSIF shall carry out Parts A through C of the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. (a) The GSIF shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Parts A through C of the Project.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the GSIF shall:

(i) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and the GSIF, a plan for the future operation of the Project; and

(ii) afford the Association a reasonable opportunity to exchange views with the GSIF on said plan.

Section 2.04. (a) The GSIF shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement, and other matters relating to the purposes of the Credit.

(b) The GSIF shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by the GSIF of its obligations under this Agreement.

ARTICLE III

Management and Operations of the GSIF

Section 3.01. The GSIF shall carry on its operations and conduct its affairs in accordance with sound administrative, and financial practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. The GSIF shall at all times operate and maintain its equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound practices.

Section 3.03. The GSIF shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The GSIF shall maintain (i) records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition; and (ii) separate records and accounts in respect of Part D of the Project.

(b) The GSIF shall:

(i) have the records and accounts referred to in Section 4.01 of this Agreement, those for the Special Account and its financial statements (balance sheets, statements of income and expenses and related statements), for the first six month period of Project execution and, thereafter, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than two (2) months after the end of the first six month period of Project execution and, thereafter, not later than six (6) months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of the GSIF thereunder shall terminate on the earlier of the following two dates:

(i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or

(ii) the date 15 years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify the GSIF of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such

party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

For the GSIF:

Georgian Social Investment Fund
39 (a) I. Charcharadze Ave.
380062 Tbilisi
Georgia

Telex:

212348 MOFIN

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of the GSIF, may be taken or executed by the Executive Director or such other person or persons as the Executive Director shall designate in writing, and the GSIF shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Judy O'Connor

Acting Regional Vice President
Europe and Central Asia

GEORGIAN SOCIAL INVESTMENT FUND

By /s/ Tedo Japaridze

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: Procurement Procedures

1. National Competitive Bidding

Works estimated to cost \$30,000 equivalent or more per contract shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. Procurement of Minor Works

Works estimated to cost \$30,000 equivalent or less per contract, may be procured under lump sum, fixed price contracts awarded on the basis of quotations obtained from three qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotations for the required work, and who has the experience and resources to successfully complete the contract.

3. International Shopping

Goods estimated to cost less than \$200,000 equivalent per contract shall be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. National Shopping

Goods estimated to cost \$30,000 equivalent or less per contract up to \$200,000 equivalent or less in the aggregate, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

5. Community Participation

Works estimated to cost \$10,000 equivalent or less per contract may be implemented directly by the Microproject Committee in accordance with procedures acceptable to the Association.

Part C: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts under Parts B, C and D of the Project, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to: (i) the first two contracts for works procured in accordance with Part B.1; and (ii) each contract for works estimated to cost the equivalent of \$75,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to: (i) the first two contracts for works procured in accordance with Part B.2; and (ii) each contract for goods estimated to cost the equivalent of \$100,000 or more, the following procedures shall apply:

(i) prior to the execution of any contract under shopping procedures, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;

(ii) prior to the execution of any contract, the Borrower shall provide to the Association a copy of the specifications and the draft contract; and

(iii) the procedures set forth in paragraphs 2 (f), 2 (g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services under Parts B and C of the Project, estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C:

1. Selection Under a Fixed Budget

Services for Parts B, C and D of the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

2. Individual Consultants

Services for Parts A, B and C of the Project that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms under Parts A, B and C of the Project, estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$10,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 2

Implementation Program

1. (a) During implementation of the Project, the GSIF shall maintain the PIU with adequate staffing under the supervision of a manager whose qualifications and experience are acceptable to the Association.

(b) The GSIF shall ensure that: (i) Microprojects are identified, appraised, approved, implemented and evaluated in accordance with the procedures set forth or referred to in the Operational Manual and the applicable Framework Agreement; and (ii) the GSIF's operations shall be carried out in accordance with the procedures set forth or referred to in the Operational Manual.

(c) The GSIF shall not amend or waive any provision of the Operational Manual without the prior consent of the Association.

2. The GSIF shall carry out, biannually during the first year of Project execution and, thereafter, annually an independent technical and managerial audit of implementation of Parts A, B and C under terms of reference satisfactory to the Association.

3. Prior to the GSIF's approval of any Microproject: (i) estimated to cost more than \$75,000 equivalent, the GSIF shall furnish to the Association the draft Framework Agreement and such other documents and information as the Association may request in respect of any such Microproject for the Association's review and approval; and (ii) having an identified negative impact on the environment, the GSIF shall furnish to the Association an environmental mitigation plan, acceptable to the Association.

4. The GSIF shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about June 30, 1999, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by October 15, 1999, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the

matter.

