

09-Jun-2020

---

Mr. Ivane Matchavariani  
Minister of Finance  
Ministry of Finance  
16 Gorgasali Street  
Tbilisi, Georgia

*Credit No. 5456-GE (Irrigation and Land Market Development Project)  
Amendment to the Financing Agreement*

Dear Mr. Matchavariani:

We refer to the Financing Agreement (the “Financing Agreement”) for the above-referenced Credit between Georgia (the “Recipient”) and the International Development Association (the “Association”), dated November 21, 2014. We also refer to the negotiations related to, and agreed Minutes of Negotiation for, the additional financing for the above project between Georgia and the International Bank for Reconstruction and Development (the “Bank”), dated January 13, 2020, wherein the Bank and Georgia representatives discussed the planned amendment of the Financing Agreement to bring it up to date and make it consistent with the additional financing Loan Agreement.

Based on these discussions, we propose to amend the Financing Agreement as follows (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):

**1. The objectives of the Project Description in Schedule 1 are deleted in their entirety and replaced with the following:**

“The objectives of the Project are to: (a) improve the delivery of irrigation and drainage services in selected areas; and (b) develop improved policies, procedures, and systems as a basis for a national land management program.”

**2. Section I.A (Institutional Arrangements) of Schedule 2 is deleted in its entirety and replaced with the following:**

“The Recipient shall: (a) carry out Parts A and C.1 of the Project through MEPA; and (b) carry out Parts B and C.2 through NAPR under the supervision of MOJ, in accordance with this Agreement, and the Operational Manual for Parts A and C.1 and the Operational Manual for Parts B and C.2 of the Project. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive any provision of the said manuals without the prior written approval of the Association.”

**3. Section I.C (Safeguards) of Schedule 2** is deleted in its entirety and replaced with the following:

- “1. The Recipient shall ensure that the Project is carried out in accordance with the provisions of the ESMF, ESMP(s), RPF and RAP(s). The Recipient shall not assign, amend, abrogate or waive the ESMF, ESMP(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 ESMP 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 ESMP 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 and social 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 ESMPs 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) establish and maintain competent environmental and social staff within MEPA in adequate numbers and with such responsibilities and functions acceptable to the Association, as shall enable MEPA to manage, coordinate and monitor the implementation of the ESMPs.
4. The Recipient shall: (a) ensure that the MEPA prepares RAPs according to the RPF; (b) maintain or cause to be maintained by MEPA, and publicize or cause to be publicized by MEPA, 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 MEPA, employ a resettlement expert, satisfactory to the Association, to conduct an ex post review of the implementation of the RAPs; (d) through MEPA, furnish promptly to the Association the findings and recommendations for follow up action resulting from each such review; and (e) through MEPA, implement all such recommendations for follow up action as are agreed with the Association.
5. The Recipient shall ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors, and supervising entities to comply with the relevant aspects of ESMF, ESMP(s), RPF and RAP(s).

6. For the purpose of carrying out Part A of the Project, the Recipient shall establish a Dam Safety Panel, in accordance with the ESMF prior to commencing any works.
  7. 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, ESMP(s), RPF, and RAP(s) giving details of:
    - (a) the status of implementation of the ESMF, ESMP(s), RPF, and RAP(s);
    - (b) measures taken in furtherance of the ESMF, ESMP(s), RPF, and RAP(s);
    - (c) conditions, if any, which interfere or threaten to interfere with the implementation of the ESMF, ESMP(s), RPF, and RAP(s); and
    - (d) remedial measures taken or required to be taken to address such conditions and to ensure the continued efficient and effective implementation of the ESMF, ESMP(s), RPF, and RAP(s).
  8. 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 ESMF, ESMP(s), RPF, and RAP(s) 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.”
4. The table in paragraph A.2 of **Section IV, Schedule 2** is deleted in is amended to read as follows:

<b>Category</b>	<b>Amount of the Credit Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(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	2,110,000	100%
(c) Part C.1 of the Project	1,150,000	100%
(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	690,000	100%
(b) Part B.2 of the Project	1,140,000	100%
<b>TOTAL AMOUNT</b>	<u>32,400,000</u>	100%

5. **Section IV.B.2 of Schedule 2** is hereby amended to read as follows:

“The Closing Date is September 30, 2022.”

6. The following definitions are hereby added to the **Appendix** to the Financing Agreement. The numbering of the remaining definitions are amended accordingly:

“5. “Dam Safety Panel” means the Recipient’s panel for dam safety established by Ministerial Order No. 2-102 of MEPA dated April 30, 2015, as amended by Ministerial Order No. 2-495, dated June 6, 2019, chaired by the Deputy Minister of MEPA.”

“8. “GA LLC” means Georgian Amelioration Limited Liability Company, successor of United Amelioration Service Company of Georgia established and operating by virtue of Order No. 1-3/191 dated March 16, 2012, or any successor thereto.”

“11. “MEPA” means the Recipient’s Ministry of Environmental Protection and Agriculture, or any successor thereto.”

7. The following definitions in the **Appendix** to the Financing Agreement are hereby deleted in their entirety and replaced with the following:

“6. “Environmental and Social Management Framework” or “ESMF” means the Recipient’s framework, dated January 29, 2014, as updated on November 20, 2019, or any amendments thereto, 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/or management plans under the Project, monitoring of environmental and social performance of Project-financed activities, and reporting on the status of compliance with management plans.”

“7. “Environmental and Social Management Plan” or “ESMP” means the environmental and social management plan(s) to be drafted, disclosed, consulted with stakeholders, finalized through incorporation of relevant feedback and adopted by the Recipient in accordance with the ESMF with respect to the Project activities in accordance with Section I.C of Schedule 2 to this Agreement.”

“10. “Incremental Operating Costs” means reasonable incremental expenses incurred by the Recipient on account of Project implementation and monitoring, including costs for office rent, printing and publication, translation, office equipment and supplies, internet connection and communications, vehicle operation and maintenance, information systems support, bank charges, utilities, travel and per diem, accommodation costs related to lodging, and salaries of contractual staff, and other reasonable expenses directly related to Project implementation, based on the Project’s semi-annual budget satisfactory to the Association.”

“14. “NAPR” or “Legal Entity of Public Law National Agency for Public Registry” means the Recipient’s agency for public registry established by virtue of Law of Georgia on State Registry, dated June 1, 2004, or any successor thereto.”

“21. “Resettlement Policy Framework” or “RPF” means the Recipient’s framework dated January 29, 2014, as updated on November 20, 2019, or any amendments thereto, 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.”

“22. “Training” means expenditures incurred by the Recipient in connection with carrying out training activities under the Project, including: (i) reasonable travel costs for trainers and trainees for accommodation, transportation and per diem charges associated with the training activities; (ii) reasonable costs related to study tours, workshops, and conferences; (iii) course fee costs; and (iv) costs related to rental of facilities, equipment, training materials and related supplies, catering, logistics, and printing services.”

8. The following definition in the **Appendix** to the Financing Agreement is hereby deleted:

“10. “Ministry of Agriculture” means the Recipient’s Ministry of Agriculture or any successor thereto.”

All other provisions of the Financing Agreement, except as specifically amended herein, shall remain in full force and effect.

It is also noted that in recognition of the updated results framework for the Project, the Recipient will include the updated results frameworks including revised performance monitoring indicators in the Operational Manual for Parts A and C.1 and the Operational Manual for Parts B and C.2. The Association will subsequently provide no-objection to this inclusion.

Please confirm your agreement to the amendments set out above by signing this Amendment Letter. This Amendment Letter shall become effective upon: (i) receipt by the Association of the countersigned and validated copy of this Amendment Letter through DocuSign; (ii) receipt by the Association of the Recipient’s confirmation of completion of all internal procedures under the laws of Georgia; and (iii) notification by the Association of the effectiveness of this Amendment Letter.

Sincerely,

*Sebastian-A Molineus*

---

Sebastian-A Molineus  
Regional Director  
For the South Caucasus

CONFIRMED AND AGREED:

**GEORGIA**

By: Ivane Matchavariani  
Authorized Representative

Name: Ivane Matchavariani

Title: Minister of Finance

Date: 10-Jun-2020