

CONFORMED COPY

CREDIT NUMBER 2852-1 GE

Agreement Amending
Development Credit Agreement

(Health Project)

between

GEORGIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 18, 2001

CREDIT NUMBER 2852-1 GE

AGREEMENT AMENDING
DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 18, 2001, between GEORGIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) The Borrower and the Association have entered into a Development Credit Agreement (Health Project) (Credit Number 2852-GE), dated May 9, 1996 (the Development Credit Agreement), for the purpose of providing support during the execution of the Borrower's Project designed to support the health reform efforts initiated by the Borrower to improve the health of the Borrower's population (the Project);

(B) The Borrower has requested the Association to provide additional assistance in support of the Project due to the need to cover additional Project-related costs resulting from necessary adjustments to the Borrower's health sector strategy as a result of unforeseen events at the time of the signing of the Development Credit Agreement, by increasing the amount made available under the Development Credit Agreement by an amount in various currencies equivalent to two million two hundred thousand Special Drawing Rights (SDR 2,200,000); and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Amendments to the Development Credit Agreement

Section 1.01. Section 1.02 of the Development Credit Agreement is amended as follows:

The following new paragraphs are added, reading as follows:

"(a) deleting the word "and" at the end of paragraph (f);

(b) substituting the period at the end of paragraph (g) by a semicolon and adding the word "and" after such semicolon; and

(c) adding the following new paragraph:

'Amending Agreement' means this Agreement Amending the Development Credit Agreement (Health Project) between the Borrower and the Association signed on May 9, 1996."

Section 1.02. Section 2.01 of the Development Credit Agreement is amended to read as follows:

"Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to eleven million nine hundred thousand Special Drawing Rights (SDR 11,900,000) (the Credit), which includes: (a) an original amount in various currencies equivalent to nine million seven hundred thousand Special Drawing Rights (SDR 9,700,000) (the Initial Financing); and (b) a supplemental amount in various currencies equivalent to two million two hundred thousand Special Drawing Rights (SDR 2,200,000) (the Supplemental Financing)."

Section 1.03. For the purposes of Section 2.03 of the Development Credit Agreement, the date of December 31, 2002 is the Closing Date of the Development Credit Agreement.

Section 1.04. The following sentence is added at the end of Section 2.04 (b) (i) of the Development Credit Agreement:

";provided, however, that any commitment charge in the Supplemental Financing shall accrue from a date sixty days (60) after the date of the Amending Agreement;".

Section 1.05. Section 2.07 of the Development Credit Agreement is amended to read as follows:

Section 2.07. (a) For the purposes of the Initial Financing, subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each April 1 and October 1 commencing October 1, 2006 and ending April 1, 2031. Each installment to, and including, the installment payable on April 1, 2016 shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the

payment of interest at an annual rate agreed with the principal amount of the Credit withdrawn and outstanding provided that, in the judgment of the Association, such change the grant element obtained under the above-mentioned modification.

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(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

(d) For the purposes of the Supplemental Financing, subject to paragraphs (e), (f) and (g) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each April 1 and October 1 commencing October 1, 2011 and ending April 1, 2041. Each installment to, and including the installment payable on April 1, 2021, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(e) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

(A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and

(B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(f) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(g) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 1.06. Table 1 of Schedule 1 to the Development Credit Agreement is amended to read as follows:

"SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works	5,301,370	80%
(2) Equipment supplies and vehicles	4,000,000	100% of foreign expenditures; 100% of local expenditures (ex- factory cost) and 80 % of local expenditures for other items procured locally
(3) Consultants' services, training and study tours	2,380,000	100%
(4) Refunding of Project Preparation Advance	58,630	Amount due pursuant Section 2.02 (c) of this Agreement
(5) Unallocated	160,000	
TOTAL	11,900,000"	

Section 1.06. Part B.1 of Schedule 2 to the Development Credit Agreement is amended to read as follows:

"(1) preparatory work for the partial rehabilitation of two blocks in Tbilisi City Hospital #2 and rehabilitation of the Tbilisi Gudushauri Hospital;"

Section 1.07. Part B.2 of Schedule 2 to the Development Credit Agreement is amended to read as follows:

"(2) design work for the rehabilitation of the Kutaisi District Hospital."

Section 1.08. The date in the statement at the end of Schedule 2 is amended to read June 30, 2002.

Section 1.09. Schedule 3 to the Development Credit Agreement is amended to read as follows:

"SCHEDULE 3

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 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost the equivalent of \$300,000 or more each.

(b) Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower, and works to be carried out by domestic contractors.

Part C: Other Procurement Procedures

1. Limited International Bidding

Specialized medical and laboratory equipment, which the Bank agrees can only be purchased from a limited number of suppliers, regardless of the cost thereof, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. National Competitive Bidding

Works estimated to cost less than \$500,000 equivalent per contract, up to an aggregate amount not to exceed \$800,000 equivalent, shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines and the Borrower shall use the Standard Bidding Documents, Procurement of Works, Smaller Contracts, issued by the Bank in September, 1995 with minimum changes, acceptable to the Bank, as necessary.

3. International and National Shopping

(a) Goods estimated to cost less than \$300,000 equivalent per contract, up to an aggregate amount not to exceed \$510,000 equivalent, may 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.

(b) Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$385,000 equivalent, 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.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, 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 and works 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

With respect to each contract estimated to cost the equivalent of \$300,000 or more, and the first contract awarded on the basis of international shopping procedures in accordance with paragraph 3(a) of this Schedule, the procedures set forth in paragraphs 2 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

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Association shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Association review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Association; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

Section 1.09. Paragraph 3 of Schedule 4 of the Development Credit Agreement is deleted and the following paragraphs of said Schedule are renumbered accordingly."

ARTICLE II

Effective Date; Termination

Section 2.01. This Amending Agreement shall not become effective until evidence satisfactory to the Association shall have been furnished to the Association that the execution and delivery of this Amending Agreement on behalf of the Borrower have been duly authorized or ratified by all necessary governmental action.

Section 2.02. As part of the evidence to be furnished pursuant to Section 2.01 of this Amending Agreement, there shall be furnished to the Association an opinion or opinions satisfactory to the Association of counsel acceptable to the Association showing, on behalf of the Borrower, that this Amending Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and is legally binding upon the Borrower in accordance with its terms.

Section 2.03. This Amending Agreement shall come into force and effect on the date upon which the Association shall dispatch to the Borrower notice of its acceptance of the evidence required by Section 2.01 of this Amending Agreement.

Section 2.04. If this Amending Agreement shall not have come into force and effect by a date ninety (90) days after the date of this Amending Agreement, this Amending Agreement and all obligations of the parties hereunder shall terminate, unless the Association establishes a later date for the purposes of this Section. If this Amending Agreement shall terminate under the provisions of this Section, the Development Credit Agreement shall continue in full force and effect, as if this Amending Agreement had not been executed.

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

GEORGIA

By /s/ Zurab Nogaideli

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Tefik M. Yaprak

Authorized Representative

