Swiss Grant Agreement

between

GEORGIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

acting as administrator of the Second Regional and Municipal Infrastructure Development Project Trust Fund

Dated May 1, 2015
AGREEMENT dated May 1, 2015, entered into between:

GEORGIA ("Recipient"); and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("World Bank"), acting as administrator of the Second Regional and Municipal Infrastructure Development Project Trust Fund.

The Recipient and the World Bank hereby agree as follows:

**Article I**

**Standard Conditions; Definitions**


1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

**Article II**

**The Project**

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article II of the Standard Conditions and the Project Agreement.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank 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 III  
The Grant  

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to five million United States Dollars ($5,000,000) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donor to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV  
Additional Remedies  

4.01. The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists namely of the following: that the Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

Article V  
Effectiveness; Termination  

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that:

(a) The execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental action.

(b) The Loan Agreement for the Second Regional and Municipal Infrastructure Development Project between Georgia and International Bank for Reconstruction and Development dated August 18, 2014 continues to be in full force and effect.
The Subsidiary Agreement has been duly: (i) executed by the Ministry of Finance and the Ministry for Regional Development and Infrastructure on behalf of the Recipient and the Project Implementing Entity; and (ii) authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

5.02. As part of the evidence to be furnished pursuant to Section 5.01(a) of this Agreement, there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Recipient, showing, on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms.

5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 of this Agreement ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.04. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date one hundred twenty (120) days after the date of this Agreement.

Article VI
Recipient's Representative; Addresses

6.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance.
6.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
16 Gorgasali Street
0114 Tbilisi
Georgia

Facsimile:
995-32-2262423

6.03. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INTBAFRAD
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391
AGREED at May 1, 2015, as of the day and year first above written.

GEORGIA

By

Authorized Representative

Name: NODOR KHADURI
Title: MINISTER

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT acting as administrator of the Second Regional and Municipal Infrastructure Development Project Trust Fund

By

Authorized Representative

Name: HENRY KERALI
Title: REGIONAL DIRECTOR
SCHEDULE 1
Project Description

The objective of the Project is to improve the efficiency and reliability of targeted municipal services and infrastructure.

The Project consists of the following parts:

Part A: Infrastructure Investment

1. Provision of financing:

   (a) on a credit basis, to selected LSGs to finance Investment Subprojects for the rehabilitation and expansion of priority municipal services and infrastructure needs on a sustainable basis; through the carrying out of works and provision of goods; and

   (b) on a grant basis, to selected LSGs to finance Investment Subprojects for selected municipal services and infrastructure projects, through the carrying out of works and provision of goods.

2. Preparation of feasibility studies, engineering designs, construction supervision, monitoring and evaluation activities for Investment Subprojects, through the provision of consultants’ services and Training.

Part B: Institutional Development

1. Improving the institutional capacity and performance of LSGs in: (a) asset management planning; (b) project cycle management; and (c) fiscal discipline and accounting, through the provision of goods, consultants’ services and Training.

2. Improving the institutional capacity and performance of the Project Implementing Entity in: (a) technical appraisal; (b) credit risk management; and (c) fiduciary functions, through the provision of consultants’ services and Training.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Grant available to the Project Implementing Entity on a non-refundable basis under a subsidiary agreement ("Subsidiary Agreement") between the Ministry of Finance and the Ministry for Regional Development and Infrastructure on behalf of the Recipient and the Project Implementing Entity, under terms and conditions approved by the World Bank.

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

B. Other

1. The Recipient shall cause the Project Implementing Entity to carry out the Project in accordance with the Operations Manual acceptable to the World Bank, said manual to provide key instruments for the execution and coordination of the Project, including: (a) procurement and financial management procedures; (b) eligibility criteria for Participating LSGs and Investment Subprojects; (c) terms and conditions for Investment Subproject Financing; (d) procurement and implementation of Investment Subprojects; (e) the requirements and procedures for carrying out the Environmental Screening and Environmental Impact Assessments and for implementing such Environmental Management Plans for the selected Investment Subprojects; and (f) the staffing, management and responsibilities of the Project Implementing Entity.

2. For the purpose of ensuring the proper coordination and execution of the Project, the Recipient shall maintain the supervisory board of the Project Implementing Entity, chaired by the Prime Minister of Georgia. The functions of said Board shall include, inter alia: (a) overall supervision of the implementation of the Project; (b) inter-agency coordination to achieve the Project objectives; and (c) review and approval of the annual work programs' budgets and reports for the operation of the Project Implementing Entity.
Safeguards

1. The Recipient shall ensure that all measures necessary for the carrying out of an Environmental Screening, as defined in the Operations Manual, shall be taken by the Project Implementing Entity in a timely manner for all Investment Subprojects, and shall cause the Project Implementing Entity to include adequate information on the carrying out of such measures as part of the reporting requirements outlined in the Operations Manual. The Recipient shall ensure that the Project Implementing Entity shall carry out the Environmental and Social Impact Assessments and develop the Environmental Management Plans in a timely manner for all Investment Subprojects requiring such assessments and/or planning and shall provide and maintain adequate information on the carrying out of such Environmental and Social Impact Assessments and implementing such Environmental Management Plans as part of the supervision responsibilities referred to in paragraph B.1 of this Section. For Investment Subprojects determined to be eligible for financing under the Project, completion of Environmental and Social Screening and preparation and disclosure of, and stakeholder consultation on the Environmental Management Plan satisfactory to the World Bank shall be required prior to commencement of any works.

2. The Recipient shall ensure that for any activity to be undertaken under the Project involving the involuntary acquisition of land or the temporary or permanent involuntary resettlement or displacement of the occupants or owners of such land, a Resettlement Action Plan satisfactory to the World Bank shall be prepared, completed and fully implemented by the Project Implementing Entity in accordance with the Resettlement Policy Framework prior to the commencement of any works.

3. The Recipient shall cause the Project Implementing Entity to establish and implement, throughout the Project implementation, an easily accessible grievance redress mechanism, acceptable to the World Bank, to address feedback and grievances relating to the Project as set forth in the Operations Manual.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of 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 (“Anti-Corruption Guidelines”).
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

3. The Recipient shall cause the Project Implementing Entity to have the Project’s Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such 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 World Bank not later than six months after the end of such period.

Section III. Procurement

A. General

1. Procurement and Consultant Guidelines. All goods, works, non-consulting-services and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(a) Section 1 of 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 (revised July 2014)
"Procurement Guidelines") in the case of goods, works and non-consulting services, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014) (“Consultant Guidelines”) in the case of consultants’ services; and

(b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

2. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank 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: (a) National Competitive Bidding, subject to the following additional provisions:

(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 World Bank’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 World Bank.

(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 requested without the prior approval of the World Bank.

(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 World Bank’s prior concurrence.

(b) Shopping; and (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 assignments which are specified in the Procurement Plan: (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) Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. Review by the World Bank of Procurement Decisions

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

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank 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 Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, consultants’ services and Training under Part B of the Project</td>
<td>5,000,000</td>
<td>57.2</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>5,000,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2018.
APPENDIX

Definitions

1. "Environmental and Social Screening" means a mandatory review of all proposed Investment Subprojects undertaken with the purpose of categorizing them by expected environmental risks and impacts, filtering out proposals grossly detrimental for the environment, identifying a need for preparing a Resettlement Action Plan and determining appropriate extent and type of Environmental and Social Assessment to be applied to the Investment Subprojects accepted for further processing.

2. "Environmental and Social Impact Assessment" or "ESIA" means a study carried out for the selected Investment Subprojects to identify and assess their potential environmental impacts, evaluate alternatives, and design appropriate mitigation, management, and monitoring measures.

3. "Environmental Management Plan" or "EMP" means a document developed for an Investment Subproject (as hereinafter defined), which details the measures to be taken during its implementation and operation to eliminate or offset adverse environmental impacts, or to reduce them to acceptable levels, as well as the actions needed to implement these measures.

4. "Incremental Operating Costs" means reasonable and necessary incremental expenses incurred by the Project Implementing Entity 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 and supplies, based on a semi-annual budget agreed with the World Bank.

5. "Investment Financing Agreement" means an agreement entered into between a Participating LSG and the Project Implementing Entity for the purposes of the Project, in accordance with the provisions of the Operations Manual.

6. "Investment Subproject" means an eligible subproject to be carried out for the benefit of a Participating LSG (as hereinafter defined), utilizing the proceeds of Investment Subproject Financing (as hereinafter defined).

7. "Investment Subproject Financing" means a financing made or proposed to be made out of the proceeds of the Grant by the Project Implementing Entity (as hereinafter defined), for an Investment Subproject.

8. "Ministry of Finance" means the Recipient’s Ministry of Finance or any successor thereto.
9. “Ministry of Regional Development and Infrastructure” means the Recipient’s Ministry of Regional Development and Infrastructure or any successor thereto.

10. “Operations Manual” means the manual prepared by the Project Implementing Entity for the Project (as hereinafter defined) dated March 31, 2014: (a) specifying the managerial, financial, administrative, engineering, environmental and social policies and procedures of the Project Implementing Entity (as hereinafter defined) for the execution of the Project and the eligibility criteria for selection of Investment Subproject(s) and Participating LSG(s) (as hereinafter defined); and (b) including the “Environmental and Social Management Framework” which provides the requirements and procedures for the carrying out of the Environmental and Social Screening, and Environmental and Social Impact Assessments and the preparation of the Environmental Management Plans for the respective selected Investment Subproject under the Project, as such Operations Manual may be amended from time to time with the agreement of the World Bank.

11. “Participating LSG” mean the Local Self Government established and operating under Organic Law (Local Self-Government Code) No. 1958-II-b of February 5, 2014, on Local Self-Government which have been selected for the carrying out of Investment Subproject(s) under Part A of the Project in accordance with the eligibility criteria set forth in the Operations Manual.

12. “Project Implementing Entity” means the Municipal Development Fund established pursuant to Presidential Decree No. 294 of the President of Georgia, dated June 7, 1997, as amended to date.


14. “Resettlement Action Plan” or “RAP” means a resettlement action plan for a site specific resettlement; to be prepared and implemented in a manner fully consistent with the Resettlement Policy Framework, and “Resettlement Action Plans” means said Plans, collectively.

15. “Resettlement Policy Framework” means the resettlement policy framework, satisfactory to the World Bank, dated March 24, 2014, prepared by the Project Implementing Entity and setting forth, inter alia: (i) the description of areas covered by the Project; (ii) the legal basis and screening process for land acquisition, resettlement and land use in connection with works and construction activities to be carried out under the Project; (iii) the resettlement principles and entitlements of Project affected people based on different categories of impact; (iv) the procedures for valuation, compensation and other assistance provided to
the affected people, including the grievance process; and (v) the responsibilities, procedures and requirements for the development and implementation of site specific Resettlement Action Plans.

16. "Subsidiary Agreement" means the agreement referred to in Section I.A of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Grant available to the Project Implementing Entity.

17. "Training" means expenditures incurred by the Project Implementing Entity in connection with carrying out training activities under Part B of the Project, including travel costs and per diem for local trainees, study tours, workshops, conferences, and non-degree fellowships, rental of facilities and equipment and training materials and related supplies based on a semi-annual budget agreed with the World Bank.