



Asian Development Bank

Central and West Asia Department

7 November 2012

Mr. Nodar Khaduri
Minister of Finance
Ministry of Finance
Georgia

Dear Minister Khaduri:

**Subject: L2749-GEO(SF): Urban Services Improvement Investment Program
– Project 1 - Amendment to the Loan Agreement**

1. We refer to the Loan Agreement dated 10 May 2011 between Georgia (“Borrower”) and the Asian Development Bank (“ADB”) for the Urban Services Improvement Investment Program – Project 1 (“Loan Agreement”). All capitalized terms used but not defined herein shall have the meaning given thereto in the Loan Agreement, unless the context requires otherwise.
2. In response to the letter of the Ministry of Finance dated 18 June 2012, ADB approved a change in scope of Project 1 of the Urban Sector Services Improvement Investment Program. To reflect these changes, we propose to amend the Loan Agreement as set forth below:
 - (i) In recital paragraph (C), reference to “(for Components 1 and 3 of the Project)” shall be replaced with “(for Components 1, 2(a), 2(c) and 3 of the Project)” and reference to “(for Component 2 of the Project)” shall be replaced with “(For Component 2(b) of the Project).”
 - (ii) In Section 3.01(a), reference to “(SDR40,681,000)” shall be replaced with “(SDR47,611,961)”.
 - (iii) In Section 3.01(b), reference to “Components 1 and 3” shall be replaced with “Components 1, 2(a), 2(c) and 3”.
 - (iv) In Section 3.02, reference to “(SDR7,342,000)” and “Component 2” shall be replaced with “(SDR823,041)” and “Component 2(b)”, respectively.
 - (v) Paragraph 2 of Schedule 1 shall be amended to read as follows:

“The Project shall comprise:

Component 1 – Infrastructure Improvement Component

- (a) construction of water supply facilities, water treatment facilities and water transmission systems in the towns of Anaklia, Kutaisi, Mestia and Poti and procurement of the WSS system maintenance vehicles and equipment.

Office of the Director General

6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
www.adb.org

Tel +63 2 632 4444
Fax +63 2 636 2444

Component 2 – Institutional Effectiveness Component

- (a) provision of management contractor support to UWSCG;
- (b) provision of capacity development to MA, MEPNR, MRDI and GNEWSRC;
and
- (c) construction of an office premise for UWSCG.

Component 3 – Project Implementation Support Component

- (a) provision of support to UWSCG for detailed engineering, construction supervision, procurement, safeguards compliance, preparing subsequent projects of the Investment Program and a public awareness program on health, hygiene, sanitation and water conservation.”

(vi) Paragraph 3 of Schedule 1 shall be amended to read as follows:

“The Project is described more fully in the PFR, except that the description relating to infrastructure improvement in the towns of Marneuli and Zugdidi shall be disregarded.”

(vii) The Allocation and Withdrawal of Loan Proceeds Table set out in the Attachment to Schedule 3 of the Loan Agreement shall be deleted and replaced by the table attached as an Annex to this letter agreement.

3. Save and except to the extent set out above, the Loan Agreement remains unchanged.
4. Pursuant to ADB's Public Communications Policy (“PCP”) on disclosure and exchange of information, the amendments to the Loan Agreement will be posted on ADB's website within 2 weeks from the date that the amendments become effective, after removing any information that falls within the PCP exceptions as specified by the Borrower.
5. Please indicate the Borrower's concurrence to the amendments set out in paragraph 2 of this letter agreement and to the terms of this letter agreement by countersigning each of the two original of this letter agreement in the space indicated below. Please retain one signed original of this letter agreement for your records and return the other to ADB. The proposed amendments shall take effect on the date of receipt by ADB of a signed original of this letter agreement.

Yours sincerely,



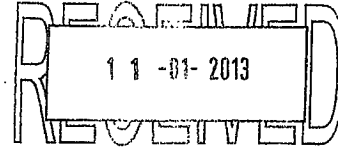
Klaus Gerhaeusser
Director General

A. Accepted and agreed.

B. Confirmed that the amendments to the Loan Agreement do not contain information falling within the PCP exceptions.

For and on behalf of
GEORGIA

ASIAN DEVELOPMENT BANK



GEORGIA RESIDENT MISSION

Name:

Nodar Khaduri

Designation:

Minister of Finance

Date:

11.12.12

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
(Urban Services Improvement Investment Program – Project 1)			
CATEGORY			ADB FINANCING
Number	Item	Total Amount Allocated for ADB Financing (SDR) Category	Percentage and Basis for Withdrawal from the Loan Account
1	Works	34,438,242	84.75% of total expenditure claimed
2	Goods	2,719,000	84.75% of total expenditure claimed
3	Consulting Services	11,277,759	84.75% of total expenditure claimed
4	Interest	1,393,000	100% of amounts due
5	Unallocated	1,514,998	
	Total	51,343,000	