

10 July 2015

Mr. Nodar Khaduri
Minister of Finance
Ministry of Finance
16 Gorgasali Street, 0114
Tbilisi, Georgia

Dear Mr. Khaduri:

**Subject: Loan No. 2879/2880-GEO: Sustainable Urban Transport Investment
Program – Project 2
— Amendment to Loan Agreements**

1. We refer to the Loan Agreement (Ordinary Operations) dated 24 July 2012 between Georgia ("Borrower") and Asian Development Bank ("ADB") and the Loan Agreement (Special Operations) dated 24 July 2012 between the Borrower and ADB (collectively, the "Loan Agreements") for the captioned project. All capitalized terms used but not defined herein shall have the meaning given thereto in the Loan Agreements, unless the context requires otherwise.
2. On 23 June 2015, ADB approved a change in scope to the Project to, among others, include the procurement of Goods. To give effect to the changes, ADB proposes that the Loan Agreements be amended as set out in the attachment hereto.
3. Save and except to the extent set out in this letter agreement, the Loan Agreements remain unchanged.
4. Pursuant to ADB's Public Communications Policy (PCP) on disclosure and exchange of information, the amendments to the Loan Agreements 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 this letter agreement, and to the terms of this letter agreement, by countersigning each of the two originals of this letter agreement in the space indicated below. Please retain one fully signed original of this letter agreement for your records and return the other to ADB. The amendments as set out in this letter agreement shall take effect on the date of receipt by ADB of a fully signed original of this letter agreement.

Yours sincerely,

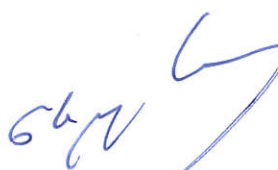


Sean M. O'Sullivan
Director General
Central and West Asia Department

A. Accepted and agreed.

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

For and on behalf of
GEORGIA



Name: Nodar Khaduri
Designation: Minister of Finance
Date: 03 September, 2015

**Loan 2879-GEO (Ordinary Operations) - Sustainable Urban Transport Investment
Program – Project 2**

- (i) Section 4.05 shall be revised to read as follows:

“The Borrower shall enable ADB's representatives to inspect the Project, Goods, and Works, and any relevant records and documents.”
- (ii) The Table set out in the Attachment to Schedule 2 of the Ordinary Operations Loan Agreement is hereby amended and replaced by Schedule 1 to this attachment.

**Loan 2880-GEO (Special Operations) - Sustainable Urban Transport Investment
Program – Project 2**

- (i) In Section 1.02, the following new paragraph (g) shall be inserted and the existing paragraphs (g) to (q) shall be renumbered accordingly:

"(g) "Goods" means equipment and materials to be financed out of the proceeds of the Loan, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding Consulting Services;"

- (ii) Section 3.05 shall be revised to read as follows:

"Withdrawals from the Loan Account in respect of Goods, Works and Consulting Services shall be made only on account of expenditures relating to:

(a) Goods, Works and Consulting Services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement; and

(b) Goods, Works and Consulting Services which meet such other eligibility requirements as shall have been specified by ADB from time to time."

- (iii) Section 4.02 shall be revised to read as follows:

"The Borrower shall enable ADB's representatives to inspect the Project, Goods and Works, and any relevant records and documents."

- (iv) The title of Schedule 4 shall be revised to read: "Procurement of Goods, Works and Consulting Services"

- (v) Paragraph 1 of Schedule 4 shall be revised to read:

"The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines and the Consulting Guidelines, respectively."

- (vi) Paragraph 3 of Schedule 4 shall be revised to read:

"Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of International Competitive Bidding."

- (vii) Paragraphs 9 (a) and (b) of Schedule 4 shall be revised to read:

- "(a) The Borrower shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.
- (b) The Borrower shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph."
- (viii) Paragraphs 12 (a), (b), (c) and (d) of Schedule 4 shall be revised to read as follows:
- "(a) grants any extension of the stipulated time for completion of a contract for Goods or Works; or
- (b) agrees to any modification or waiver of the conditions of a contract for Goods or Works, including any change order that falls under (c) or (d) below; or
- (c) issues any change order under a contract for Goods or Works that will in aggregate increase the original contract price (for the avoidance of doubt, such aggregate shall take into account any previous or simultaneous change order or orders under such contract); or
- (d) issues any change order under a contract for Goods or Works that will affect more than 15% of the original contract price (either through increases or decreases), even if the net effect of such change order will not in aggregate increase the original contract price. For the avoidance of doubt, such aggregate shall take into account any previous or simultaneous change order or orders under such contract."
- (ix) Paragraph 14 (b) of Schedule 4 shall be revised to read as follows:
- "(b) maintain a record of all change orders under all contracts for Goods or Works which do not require ADB's prior approval under paragraph 12 above and submit such record for ADB's review every 6 months."
- (x) The Table set out in the Attachment to Schedule 3 of the Special Operations Loan Agreement is hereby amended and replaced by Schedule 2 to this attachment.

Loan 2879-GEO (Ordinary Operations) - Sustainable Urban Transport Investment Program – Project 2

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Sustainable Urban Transport Investment Program – Project 2)			
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Basis for Withdrawal from the Loan Account
1	Works <u>and Goods</u>	36,674,000	74.58% of total expenditure claimed*
2	Consulting Services	2,761,000	70.82% of total expenditure claimed*
3	Interest and Commitment Charges	1,616,400	100% of amounts due
4	Unallocated	7,834,600	
	Total	48,886,000	

* Exclusive of taxes and duties imposed within the territory of the Borrower.

**Loan 2880-GEO (Special Operations) - Sustainable Urban Transport Investment
Program – Project 2**

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Sustainable Urban Transport Investment Program – Project 2)			
Number	Item	Total Amount Allocated for ADB Financing (SDR) Category	Basis for Withdrawal from the Loan Account
1	Works <u>and Goods</u>	8,312,000	25.42% of total expenditure claimed*
2	Consulting Services	758,000	29.18% of total expenditure claimed*
3	Interest Charges	223,000	100% of amounts due
4	Unallocated	1,346,000	
	Total	10,639,000	

* Exclusive of taxes and duties imposed within the territory of the Borrower.