

DISBURSEMENT AGREEMENT

BY AND AMONG

THE MILLENNIUM CHALLENGE CORPORATION

**THE MINISTRY OF FINANCE,
REPRESENTING THE GOVERNMENT OF GEORGIA**

AND

MILLENNIUM CHALLENGE GEORGIA FUND

Dated as of April 7, 2006

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DISBURSEMENT AGREEMENT

This DISBURSEMENT AGREEMENT (the “*Agreement*”), dated as of April 7, 2006, is made by and among the Millennium Challenge Corporation, a United States Government corporation (“*MCC*”); the Government of Georgia (the “*Government*”), represented by the Ministry of Finance (the “*Ministry*”); and the Millennium Challenge Georgia Fund, a public legal entity under Georgian law, established pursuant to Presidential Decree No. 561, dated December 3, 2004 (“*MCG*”). MCC, the Ministry and MCG are sometimes referred to herein individually as a “*Party*” and together as the “*Parties*.”

Capitalized terms used and defined in this Agreement shall have the meanings given to such terms herein. Schedule 2 to this Agreement lists the capitalized terms that are defined herein and the pages on which their respective definitions appear. Capitalized terms that are used but not defined herein shall have the meaning given such terms in that certain Millennium Challenge Compact by and between the United States of America, acting through MCC, and the Government, signed in New York, New York, United States of America on September 12, 2005 (the “*Compact*”).

RECITALS

WHEREAS, the Compact sets forth the general terms and conditions on which the United States, through MCC, will provide MCC Funding to the Government to use to implement the Program in Georgia and achieve the Compact Goal and Objectives contemplated by the Compact;

WHEREAS, pursuant to Section 3.2 of the Compact and the Designation Agreement dated as of December 30, 2005, between the Prime Minister of Georgia, acting on behalf of the Government and MCC (the “*Designation Agreement*”), and the Acceptance of Designation Agreement, dated as of January 26, 2006, between MCC and MCG (the “*Acceptance of Designation Agreement*”), the Government has designated MCG to assume and carry out certain governmental rights, responsibilities and duties under the Compact, including the execution, delivery and performance of this Agreement;

WHEREAS, it is a condition precedent to the Entry into Force that this Agreement be executed by the Parties;

WHEREAS, prior to the payment of any MCC Disbursement or Re-Disbursement, the Ministry and MCG, on behalf of the Government, must satisfy, or cause or ensure the satisfaction of, the terms and conditions specified in this Agreement and certain other Supplemental Agreements;

WHEREAS, the Parties wish to enter into this Agreement to further specify the terms and conditions on which MCC Disbursements and Re-Disbursements will be made in furtherance of the Compact; and

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements set forth herein, the Parties hereby agree as follows:

ARTICLE I.

DISBURSEMENTS

Section 1.1 Disbursements.

(a) MCC Disbursements.

(i) MCG shall submit MCC Disbursement Requests, in the form attached hereto as Exhibit A, to MCC (and shall provide a copy thereof to the Principal Representative of the Government) for MCC Disbursements under the Compact. MCG shall ensure that any request for an MCC Disbursement shall be in accordance with the terms and conditions set forth in the Compact, this Agreement, and any other Supplemental Agreement between the Government or any Government Affiliate or Permitted Designee and MCC or between two or more of such parties (together, the "**Compact Documents**"). MCC Disbursement Requests may be made on a quarterly basis, or at such other interval as the Parties may otherwise agree from time to time, and shall be submitted to MCC no later than twenty (20) days (or such other period of time as agreed to by MCC and MCG) prior to the commencement of the applicable Disbursement Period (defined below).

(ii) Upon receipt of an MCC Disbursement Request, MCC shall determine the appropriate amount of the MCC Disbursement for application during the subsequent quarter or such other period of time as agreed to by the Parties (the "**Disbursement Period**"), which amount shall be (1) determined on the basis of, among other things, the progress under the Implementation Plan and in the implementation of the Compact and (2) subject to the satisfaction, waiver or deferral of applicable terms of and conditions to such MCC Disbursement in this Agreement and in any other Compact Document. MCC reserves the right, in its sole discretion, to reduce the amount of any MCC Disbursement in accordance with Section 3.7(a) of this Agreement, Sections 2.1(a)(ii) and 2.2(b) of the Compact or any other applicable provision of any Compact Document to which MCC is a party.

(iii) MCC shall make each MCC Disbursement in U.S. Dollars to the Special Account pursuant to and in accordance with the procedures and requirements set forth in the Bank Agreement (or such other documentation establishing the Special Account) and any other applicable Supplemental Agreement to which MCC is a party. MCG shall provide, or shall cause the Bank to provide, in writing to MCC the designated account number and wire transfer instructions for the Permitted Accounts (the "**Permitted Account Information**") no later than ten (10) business days prior to the initial MCC Disbursement. In the event that any Permitted Account changes during the Compact Term or the Permitted Account Information with respect to such Permitted Account otherwise changes, MCG shall provide, or shall cause the Bank to provide, in writing to MCC any modifications to such Permitted Account Information then on file with MCC as soon as practicable, but in no event later than ten (10) business days prior to the immediately succeeding MCC Disbursement.

(b) Re-Disbursements.

(i) Requests for payment of Re-Disbursements shall be submitted to the Fiscal Agent in the form and substance required by the Fiscal Agent in the Fiscal Agent Agreement and the Fiscal Accountability Plan and otherwise in accordance with the terms of this Agreement, the

Governance Agreement, the Procurement Agreement and any other Compact Document, if applicable.

(ii) MCG shall ensure that the Fiscal Agent authorizes payment of, and the Bank pays from the applicable Permitted Account directly to the applicable party, any valid Re-Disbursement amount, in accordance with the procedures and requirements set forth in the Fiscal Agent Agreement, the Fiscal Accountability Plan, the Bank Agreement and any other relevant Compact Document.

(iii) Each Re-Disbursement shall be subject to the applicable terms and conditions for such Re-Disbursement set out in Sections 1.2 and 3.6 of this Agreement and in any other relevant Compact Document or Supplemental Agreement.

Section 1.2 Limitations on Use of MCC Funding.

(a) MCG shall ensure that the use or treatment of MCC Funding shall comply with the limitations on the use or treatment of MCC Funding set out in the Compact, including Section 2.3 therein.

(b) Unless the Parties otherwise agree in writing, no financial commitment involving MCC Funding shall be made, no obligation of MCC Funding shall be incurred, and no MCC Disbursement or Re-Disbursement shall be made or MCC Disbursement Request submitted, for an activity or expenditure, unless the expense is provided for in the Detailed Financial Plan and unless unencumbered funds exist in the balance of the Detailed Financial Plan for the relevant period.

Section 1.3 Working Capital. At the beginning of the initial Disbursement Period, the Permitted Accounts shall contain funds reserved for working capital for the Program (“*Working Capital*”) in an amount equal to five hundred thousand U.S. Dollars (USD\$500,000) (the “*Working Capital Deposit Amount*”). In the event that the Working Capital in the Permitted Accounts is below the Working Capital Deposit Amount, any subsequent MCC Disbursement Request may include a request for replenishment of the Working Capital equal to the difference between the Working Capital Deposit Amount and the aggregate amount of Working Capital then in the Permitted Accounts, which request shall include an accounting for the expenditures of Working Capital since the initial deposit of the Working Capital Deposit Amount or the most recent prior request for replenishment of the Working Capital, whichever is later.

ARTICLE II.

REPRESENTATIONS

Section 2.1 Ministry Representations. The Ministry hereby provides, on behalf of itself and the Government, the following representations to MCC as of the Effective Date.

(a) Powers. The Ministry has the power and authority to execute, deliver and perform its obligations and each other agreement, certificate, or instrument contemplated hereby.

(b) Authorization; No Conflicts; No Other Approvals. The execution, delivery and performance by the Ministry of this Agreement and the Designation Agreement and the transactions contemplated herein and therein (i) have been duly authorized by all necessary action on the part of

the Government and (ii) will not violate (1) any applicable law or regulation or (2) any obligation of the Government, any Government Affiliate, including the Ministry and MCG. No other action, consent, approval, registration or filing with or any other action by any governmental authority is required in connection with the effectiveness of this Agreement or the Designation Agreement or the execution and performance of this Agreement or the Designation Agreement by the Ministry. This Agreement, the Designation Agreement and the Compact are valid and binding agreements and legally enforceable obligations of the Government, including the Ministry.

Section 2.2 MCG Representations. On behalf of itself and the Government, MCG shall provide the following representations to MCC as of the Effective Date and as of the date of each MCC Disbursement (in such case, both immediately before and immediately after giving effect to the MCC Disbursement occurring on such date); *provided* that, with respect to each of the representations MCG makes on behalf of the Government, MCG shall confirm such representations with all necessary Government Affiliates prior to MCG providing such representations to MCC.

(a) Powers; Authorization. MCG is a public legal entity, duly organized, validly existing and in good standing under the laws of Georgia. MCG has the power and authority to execute, deliver and perform its obligations under this Agreement, the other Compact Documents and Supplemental Agreements to which it is or will be a party, and each other agreement, certificate, or instrument contemplated hereby and thereby. The execution, delivery and performance by MCG of this Agreement, the Compact and the transactions contemplated herein and therein (i) have been duly authorized by all necessary action on the part of MCG and the Government and (ii) will not violate (1) any applicable Georgian law or legislation or (2) any obligation of the Government, any Government Affiliate, including the Ministry and MCG, or any other Permitted Designee. No other ratification, consent, approval, registration or filing with or any other action by any governmental authority is required in connection with the effectiveness of this Agreement or the Compact or the execution and performance by MCG of this Agreement, the Compact or the transactions contemplated herein or therein. This Agreement and the Compact are valid and binding agreements and legally enforceable obligations of the Government, including MCG.

(b) Government Assurances. The assurances in paragraphs (a) through (d) of Section 3.4 of the Compact are true, correct and complete in all material respects as if made by the Government herein.

(c) Government Contributions. The Government has contributed such cash or other resources or made such payments as required by Section 2.2, Section 2.3(e), Section 2.5, Section 3.9 and Section 5.8 of the Compact, Section 3(b) of Annex I of the Compact, Annex II of the Compact, or by any other relevant provision of any Compact Document.

(d) No Liens. To the knowledge of MCG, there are no liens or encumbrances of any kind on any Program Asset or Permitted Account.

(e) No Material Adverse Change. Since the date of the execution of the Compact, there has been no Material Adverse Change. For the purposes of this Agreement, "**Material Adverse Change**" shall mean: (i) a material breach or default of any assurance, representation, covenant or other obligation of the Government, any Government Affiliate (including MCG) or any other Permitted Designee under any Compact Document or Supplemental Agreement; (ii) failure by the Government, any Government Affiliate (including MCG), any other Permitted Designee and, to the knowledge of the MCG, any Provider, to substantially comply with any term or condition set forth in the Compact Documents applicable to such party, including Section 2.3 of the Compact; (iii) a

material adverse change in the constitutive documents, status or existence of MCG; (iv) a material modification, amendment, alteration, rescission, termination or suspension of any Supplemental Agreement other than as disclosed in writing to, and approved where necessary by, MCC; and (v) an act, event, circumstance or omission that has occurred or is pending or threatened that has or reasonably could be expected to have a material adverse change in or material adverse effect on: (1) the business, ministries, departments, property, operations, management, or condition, financial or otherwise, of the Government or any Government Affiliate (including MCG) or, to the knowledge of MCG, any other Permitted Designee, insofar as it is relevant to all or any part of the Program or Compact, (2) the ability of the Government, any Government Affiliate (including MCG) or any other Permitted Designee or, to the knowledge of MCG, any Provider, to perform any of its obligations in furtherance of the Compact or under any Supplemental Agreement or to exercise any of its rights under the Compact or any Supplemental Agreement, (3) the validity or enforceability of the Compact or any Supplemental Agreement, (4) the Program, any MCC Funding, Accrued Interest, Program Asset or any Permitted Account; or (5) the likelihood of successful implementation of the Compact consistent with the terms of the Compact Documents.

(f) No Untrue Statements or Material Omissions. None of the representations and warranties made to MCC by the Government, any Government Affiliate (including MCG), or any other Permitted Designee (and to the knowledge of MCG, any other Provider), none of the assurances by the Government made to MCC in any Compact Document, and none of the statements contained in any agreement, report, financial statement, communication or other document furnished by or on behalf of the Government, any Government Affiliate (including MCG), any other Permitted Designee or, to the knowledge of MCG, any other Provider, to MCC in connection with any Compact Document (i) contains any untrue statement of material fact or omits any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading as of the time when made or delivered or (ii) omits any fact known to the Government, any Government Affiliate (including MCG), or any other Permitted Designee, that if disclosed would (1) alter in any material respect the information delivered or (2) likely have a material adverse effect on the ability of the Government, any Government Affiliate (including MCG), any other Permitted Designee or other Provider to effectively implement, or ensure the effective implementation of, the Program or any Project or to otherwise carry out its responsibilities or obligations under or in furtherance of the Compact or any Supplemental Agreement. For the purpose of making this representation, MCC shall notify MCG of any such statements, representations, warranties or assurances made by the Government or any Government Affiliate to MCC (other than those to which MCG has or should have knowledge) in order to permit MCG to confirm such representations with the Government or Government Affiliate prior to MCG providing such representation to MCC.

(g) No Programmatic or Other Variance. MCG is not aware of any fact or other information indicating that achievement of the Compact Goal and Objectives within the Compact Term, or satisfaction in a timely manner of the requirements of any component of the Implementation Plan or any Supplemental Agreement (including with respect to any conditions precedent for future MCC Disbursements) critical to the achievement of the Compact Goal and Objectives within such period of time, is unlikely.

ARTICLE III.

CONDITIONS PRECEDENT

Section 3.1 Conditions Prior to Initial MCC Disbursement. Prior to, and as a condition precedent to, the initial MCC Disbursement, MCG shall satisfy, or cause to be satisfied, the following conditions:

(a) Delivery of a written agreement, satisfactory to MCC, entered into between the Ministry of Finance and MCG, documenting and evidencing (i) the tax exempt status of MCG and MCC Funding, (ii) the arrangements necessary for the implementation and administration of the Government's compliance with Section 2.3(e) of the Compact, and (iii) the designation of a Ministry of Finance representative to serve as the liaison with other Government agencies in the administration of such tax exemptions and reimbursements, and any other matters as may be necessary for the effective implementation of the Compact;

(b) Each consent, license, approval, registration, permit, sanction, filing, registration, ratification, disclosure, consultation and any other authorization or other action of any nature that is required to be granted or taken by or with, any governmental authority (collectively, the "*Permits*") necessary or appropriate in connection with the due execution and delivery of, and performance by, MCG of its obligations hereunder and under any Supplemental Agreement has been obtained and is on file in the offices of MCG, is validly issued, is non-appealable and is in full force and effect as of the date of the initial MCC Disbursement;

(c) The Permitted Accounts have been duly established at the Bank in accordance with the Bank Agreement, the Fiscal Agent Agreement, the Fiscal Accountability Plan and the Compact Documents;

(d) Each of the conditions precedent to Entry into Force as set forth in Section 4.1 of the Compact have been satisfied;

(e) Delivery of a certificate, in form and substance satisfactory to MCC, signed by the Chair of the Supervisory Board and the Chief Executive Officer of MCG (an "*MCG Certificate*"), certifying that attached thereto are true, accurate and complete copies of the following documents, in form and substance satisfactory to MCC, which MCC may post on its website or otherwise make publicly available, together with the following certifications as to such documents made by the Chair of the Supervisory Board and the Chief Executive Officer of MCG:

(i) The Financial Planning and Accounting Services Agreement, duly executed and delivered and in full force and effect as of the date of the initial MCC Disbursement, without any alteration or suspension of any kind;

(ii) The Bank Agreement, duly executed and delivered and in full force and effect as of the date of the initial MCC Disbursement, without any alteration or suspension of any kind;

(iii) [Intentionally Omitted];

(iv) The Governance Agreement, the Designation Agreement, the Acceptance of Designation Agreement, and the Charter of MCG, each duly executed and delivered and in full force

and effect as of the date of the initial MCC Disbursement, without any alteration or suspension of any kind, and such other executed and delivered documents in full force and effect, and any amendments of any thereto, evidencing that MCG is duly formed, organized and in good standing under the laws of Georgia and in accordance with the Compact and is authorized to perform those Government Responsibilities and any rights and other obligations and responsibilities of the Government as may be designated to be carried out by MCG in the Compact Documents or in any other Supplemental Agreements;

(v) An employment agreement between the Chief Executive Officer and MCG, duly approved by the Supervisory Board of MCG and MCC (attaching evidence thereof), executed and delivered and in full force and effect as of the date of the initial MCC Disbursement;

(vi) The Financial Plan for the Program and each Project, which (i) includes the Multi-Year Financial Plan, the annual Detailed Financial Plan for Year 1, and the quarterly Detailed Financial Plan for the first quarter of Year 1, (ii) is approved by MCC and is duly adopted by MCG (attaching evidence thereof), and (iii) is in full force and effect as of the date of the initial MCC Disbursement, without any alteration or suspension of any kind;

(vii) An interim Fiscal Accountability Plan, which is approved by MCC and is duly adopted by MCG (attaching evidence thereof), and is in full force and effect as of the date of the initial MCC Disbursement, without any alteration or suspension of any kind;

(viii) An interim Procurement Plan, which is approved by MCC and is duly adopted by MCG (attaching evidence thereof), and is in full force and effect as of the date of the initial MCC Disbursement, without any alteration or suspension of any kind;

(ix) A report of the most recent execution of actual national budget expenditures of all resources, including the annual budget, extra-budgetary or off-budget funds, and state-owned enterprises that conduct activities for a public purpose, to ensure the establishment of a baseline for allocation of domestic resources;

(x) The incumbency and specimen signatures of the Chair of the Supervisory Board and the Chief Executive Officer of MCG, as of the date of the initial MCC Disbursement; and

(xi) Such other documents regarding the formation, organization and staffing of MCG as MCC requests;

(f) A legal opinion (which shall be given by an entity acceptable to MCC and shall be in form and substance acceptable to MCC) dated as of the date of the initial MCC Disbursement, in form and substance acceptable to MCC; and

(g) A certificate satisfactory to MCC in form and substance, signed by a duly authorized representative of the Fiscal Agent (the "*Fiscal Agent Certificate*"), certifying that: (i) the execution, delivery and performance by the Fiscal Agent under the Fiscal Agent Agreement, the Bank Agreement and any other agreement entered into or to be entered into by the Fiscal Agent in furtherance of the Compact has been duly authorized by the Fiscal Agent and is a legal, valid and binding obligation of the Fiscal Agent, (ii) the Special Account and the Local Account are each duly established in accordance with the Compact and two senior authorized representatives of the Fiscal Agent have been given sole signatory authority on such Accounts and (iii) as of the date of the Fiscal Agent Certificate, the Fiscal Agent has engaged and has in place in Georgia the relevant staff

designated to perform the services required under the Fiscal Agent Agreement, the Bank Agreement and any other agreement entered into or to be entered into by the Fiscal Agent in furtherance of the Compact.

Section 3.2 Deliveries Prior to Each MCC Disbursement. Prior to, and as condition precedent to, each MCC Disbursement, MCG shall deliver the following documents to MCC (and shall provide a copy thereof to the Principal Representative of the Government), in form and substance satisfactory to MCC:

(a) MCC Disbursement Request. A completed MCC Disbursement Request, in the form attached hereto as Exhibit A and otherwise satisfactory to MCC in content, signed by the Chief Executive Officer of MCG and, with respect to certain sections, the Fiscal Agent, and certified by the Chair of the Supervisory Board, and including the information required therein and the following supporting documentation, each of which shall be in form and substance satisfactory to MCC:

(i) Implementation Plan. Each of the following component documents of the Implementation Plan, to the extent that MCG has not previously provided such documents in their most current form to MCC:

(1) A Detailed Financial Plan set forth on a rolling quarterly basis for the upcoming twelve (12) months and on an annual basis for each year of the Compact Term thereafter, with a description and justification, by each activity, of what will be accomplished with the MCC Funding being requested during such Disbursement Period;

(2) The Work Plan(s) for each activity to be funded during the Disbursement Period with the MCC Disbursement to be covered by such MCC Disbursement Request;

(3) Any other component documents of the Implementation Plan for the Disbursement Period to be covered by such MCC Disbursement Request;

(4) Any proposed modification (together with a justification) to the Multi-Year Financial Plan, Detailed Financial Plan, Program and Project Work Plans, M&E Plan or other component documents of the Implementation Plan that is necessary or appropriate to accurately reflect the proposed implementation of the Program or satisfy in a timely manner the requirements of any component of the Implementation Plan or any Compact Document (and if MCC approves such modification, the applicable component of the Implementation Plan shall be modified in writing to reflect the approved modification); and

(5) Any proposed waiver or deferral (together with a justification) of any condition precedent to the MCC Disbursement and Re-Disbursements in the Disbursement Period to which such MCC Disbursement Request applies (whether such conditions precedent are set forth in this Agreement or another document) (and if MCC approves such waiver or deferral, the document where such condition precedent is specified shall be modified in writing to reflect the approved waiver or deferral, if applicable); and

(ii) Management Discussion and Analysis. Other than with respect to the first two quarterly MCC Disbursements following the Entry into Force, one or more reports approved by the Supervisory Board of MCG that (1) compares the actual results or outputs of any Re-Disbursements made in the second most recent Disbursement Period to the Work Plans, M&E Plan,

and any other component of the Implementation Plan relevant to such Disbursement Period and for the year to date, (2) describes the procurement activity during the second most recent Disbursement Period and how such procurement activity compares to the Procurement Plan for such Disbursement Period, and (3) satisfies any other reporting requirements related to MCC Disbursements or otherwise required under any Compact Document.

(b) MCG Certificate. An MCG Certificate, dated as of the date of such MCC Disbursement Request, and satisfactory to MCC in form and substance, certifying that, other than as specifically provided therein:

(i) Attached thereto is a true, correct and complete copy of the resolution duly adopted by the Supervisory Board of MCG authorizing the execution and delivery of the MCC Disbursement Request to MCC;

(ii) Immediately before and after giving effect to such MCC Disbursement, (1) all of the representations made by MCG in Section 2.2 are true, correct and complete in all material respects as though made on the date of such MCC Disbursement Request and on the date of such MCC Disbursement and (2) no default or breach of any representation or assurance, covenant, obligation or responsibility has occurred and is continuing under (A) this Agreement, (B) the other Compact Documents, (C) the Supplemental Agreements to which it is a party or (D) to the knowledge of MCG, under any other Supplemental Agreement;

(iii) The expenditure for each of the items included in the MCC Disbursement Request is provided for in the Financial Plan (as modified from time to time pursuant to the Compact and the Governance Agreement and delivered to MCC) and unencumbered funds exist in the balance of the Financial Plan for each such expenditure;

(iv) Attached thereto is a true, correct and complete copy of each Supplemental Agreement, including all amendments thereto, to which the Government, any Government Affiliate, including MCG, and any other Permitted Designee has become a party since the Entry into Force or since the previous MCC Disbursement Request, whichever is later, and which has not been previously provided to MCC;

(v) The documents attached to such MCG Certificate, and all Supplemental Agreements, documents and Permits previously provided to MCC, have not been modified, rescinded or amended and are in full force and effect;

(vi) Attached thereto is a true, correct and complete list of all Permits that are necessary or appropriate in connection with the performance by MCG of its obligations under any Compact Document or Supplemental Agreement during the Disbursement Period covered by such MCC Disbursement Request, and MCG shall certify that it has obtained, or caused to be obtained, each Permit on that list and that each such Permit is on file in the offices of MCG, is validly issued, is non-appealable and is in full force and effect;

(vii) Activities to be funded with the MCC Funding being requested by such MCC Disbursement Request will not violate any applicable Georgian legislation or any obligation of MCG, including Section 2.3 of the Compact, and on the date of such MCC Disbursement Request and immediately before and after giving effect to such MCC Disbursement, the MCC Funding, Accrued Interest, or Program Assets have been or will be strictly used or applied in accordance with this Agreement, the Compact and all Supplemental Agreements;

(viii) As of the date of such MCC Disbursement Request, and immediately before and after giving effect to such MCC Disbursement, there are no liens or encumbrances of any kind on any Program Asset or on any Permitted Account (including any amounts held therein);

(ix) MCG has maintained since the last MCC Disbursement a standard of thirty (30) days to pay valid invoices and has delivered or caused to be delivered to MCC satisfactory evidence of such prompt payment (*provided*, that this condition shall not apply to the initial MCC Disbursement);

(x) MCG is in compliance with its obligation to post on the MCA-Georgia Website an updated Procurement Plan, as approved by MCC, that forecasts the procurement activities under the Program for the upcoming six-month period;

(xi) Notices of procurement actions have been posted on the MCA-Georgia Website in accordance with the Procurement Guidelines;

(xii) All reports (including financial reports) and other documents have been posted on the MCA-Georgia Website as required by Annex I of the Compact;

(xiii) The Government has obtained, or has caused to be obtained, to MCC's satisfaction, the insurance required (both in form and substance) under Section 3.9 of the Compact and Section 3(d)(ii)(5) of Annex I of the Compact in connection with the Disbursement Period or the activities to be performed or funded during the Disbursement Period covered by such MCC Disbursement Request (and attaching evidence thereof, if applicable); and

(xiv) All of the conditions set forth in clauses (j), (k), (l) and (m) of Section 3.5 are true, complete and correct as of the date of such MCC Disbursement.

(c) Fiscal Agent Certificate. A Fiscal Agent Certificate, signed by a duly authorized representative of the Fiscal Agent, satisfactory to MCC in form and substance, dated as of the date of such MCC Disbursement Request, certifying that: (i) all of the representations made by the Fiscal Agent in Section 4.1 of the Fiscal Agent Agreement are true, correct and complete in all material respects as though made on the date of such MCC Disbursement Request and on the date of such MCC Disbursement, (ii) the financial information regarding the Permitted Account(s) and statements of cash expenditures contained in the MCC Disbursement Request are true, correct and complete; (iii) all Taxes paid in the immediately previous Disbursement Period have been reimbursed by the Government in accordance with the Compact and as specified in any Supplemental Agreement, and the Government is in compliance with all of its obligations under Section 2.3(e) of the Compact and under any Supplemental Agreement related thereto; (iv) all Accrued Interest in the Permitted Accounts as of the end of the preceding quarter has been returned to the account designated by MCC; and (v) as to such other matters or other certifications as may be required by the Fiscal Agent Agreement or other relevant Supplemental Agreement.

(d) Audit Report. An audit report, in accordance with the Compact and the Audit Plan, if so required by the Audit Plan in respect of such Disbursement Period.

(e) Other Documents. Such other documents as MCC may reasonably require or request from time to time.

Section 3.3 Deliveries on a Semi-Annual Basis. MCG shall deliver, or cause the delivery of, the following documents to MCC on a semi-annual basis, in form and substance satisfactory to MCC, attached to an MCG Certificate certifying that such documents are true, correct and complete in all material respects, the timely delivery of which shall be a condition precedent to any MCC Disbursement for the quarter indicated:

(a) A performance review report on compliance with the Environmental Guidelines (as amended from time to time) and environmental and social safeguards described in the Compact and related documents (Quarter 4, Years 1-5; Quarter 2, Years 2-5);

(b) An audit report (financial audit) in accordance with the Compact and Audit Plan for the prior six (6) month period, to the extent that the Audit Plan requires semi-annual financial audits (to be delivered as a condition precedent for the quarter immediately following the applicable date of delivery of such report, as set forth in the current Audit Plan). Upon MCC's request, MCG shall ensure simultaneous delivery by the Auditor of the audit report to MCG, MCC and the Inspector General;

(c) A performance review report on compliance with the Fiscal Accountability Plan for the prior six (6) month period (to be delivered as a condition precedent for the quarter immediately following the applicable date of delivery of such report, as set forth in the current Audit Plan); and

(d) A performance review report on compliance with the Procurement Guidelines for the prior six (6) month period (to be delivered as a condition precedent for the quarter immediately following the applicable date of delivery of such report, as set forth in the current Audit Plan).

Section 3.4 Deliveries on an Annual Basis. MCG shall deliver, or cause the delivery of, the following documents to MCC on an annual basis, in form and substance satisfactory to MCC, attached to an MCG Certificate certifying that such documents are true, correct and complete in all material respects, the timely delivery of which shall be a condition precedent to any MCC Disbursement for the quarter indicated:

(a) (i) Certified copies of Supervisory Board minutes and resolutions and other charter documents adopted in the prior year, (ii) certified copies of any Stakeholders' Committee minutes or material communications in the prior year, (iii) evidence MCG is in good standing in Georgia and (iv) certified copies evidencing the adoption of any modifications to MCG's governing documents, as mutually agreed upon by the Parties (Quarter 1, Years 2-5);

(b) A report of the execution of the national budget expenditures of all resources, including the annual budget, extra-budgetary or off-budget funds, and state-owned enterprises that conduct activities of a public purpose (submitted within ten (10) days after the final accounts for the previous year are completed);

(c) Evidence that the Government has reflected the financial activity of the Program in the budget documents of Georgia on a multi-year basis (to be delivered as a condition precedent for the quarter in years 1-5 that includes the month of January);

(d) Evidence of the fulfillment of all applicable requirements under the M&E Plan (Quarter 1, Years 2-5);

(e) Certification of review and approval of the M&E Plan by the Supervisory Board (Quarter 3, Years 2 and 4);

(f) An environmental audit report performed and prepared, or caused to be performed and prepared, by MCG, in respect of all Project Activities (Quarter 4, Years 2 and 4); and

(g) The detailed quarterly break-out of the conditions precedent and any other modifications or adjustments to the conditions precedent as referred to in Section 3.8.

Section 3.5 Other Conditions Precedent to MCC Disbursements. Prior to, and as a condition precedent to, any MCC Disbursement, MCG shall satisfy, as MCC determines in its sole discretion, any conditions relevant to such MCC Disbursement as set forth in: (a) Schedule 1 (Conditions Precedent) attached hereto; (b) any component document of the Implementation Plan; and (c) each of the following conditions; *provided* that paragraphs (c) through (h) shall not apply to the initial MCC Disbursement:

(a) There has been no material negative finding in any audit reports delivered under Section 3.3;

(b) The conditions to which MCG has certified in the MCG Certificate under Section 3.2(b) have been satisfied and are true and correct as of the date of such MCC Disbursement;

(c) There has been satisfactory progress on the Work Plans for any relevant Projects or Project Activities related to such MCC Disbursement, including strict compliance with any additional conditions precedent to such disbursement set forth therein and substantial compliance with the other requirements of such Work Plans, including any applicable reporting requirements for the relevant Disbursement Period;

(d) (i) There has been satisfactory progress on the M&E Plan for the Program, relevant Project or Project Activity and (ii) substantial compliance with the requirements of such M&E Plan (including the targets set forth therein (except for the targets specified in Schedule 1 to this Agreement, which shall require strict compliance) and any applicable reporting requirements set forth therein for the relevant Disbursement Period);

(e) There has been satisfactory compliance with the Procurement Plan, including any applicable reporting requirements under the Procurement Agreement for the relevant Disbursement Period;

(f) There has been satisfactory compliance with the Audit Plan, including any applicable reporting and auditing requirements under any Auditor Agreement for the relevant Disbursement Period;

(g) MCG has provided a satisfactory written response to any audit findings that have been issued prior to thirty (30) days before the date of the MCC Disbursement Request;

(h) Any necessary preceding steps in the sequence for any Project Activity as provided in Schedule 1 have been satisfactorily completed for each such activity for which funding is requested and no material adverse change in any of the preceding steps or activities has occurred, each in MCC's sole determination;

(i) MCG has delivered to MCC any reports required under the Compact Documents, including Section 3.12 of the Compact, and any other reports specified under any other Supplemental Agreement;

(j) Since the date of the immediately preceding MCC Disbursement (or in the case of the initial MCC Disbursement, since the Effective Date), no event, circumstance or condition shall have occurred which constitutes a Material Adverse Change;

(k) (i) All Taxes paid in connection with the Program during the immediately preceding quarter have been reimbursed by the Government in full in accordance with Section 2.3(e) of the Compact and (ii) all Accrued Interest in the Permitted Accounts as of the end of the preceding quarter has been returned to the account designated by MCC;

(l) The Government has satisfied in full all of its payment obligations, including any insurance, indemnification or other obligations, and has made all contributions of resources owed by the Government under the Compact Documents;

(m) MCG has notified MCC of any modification, rescission, termination or suspension of any document and of any modification to any statement contained in any certificate delivered with or at the time of such MCC Disbursement Request such that if any such certification as to such document or statement were delivered as of the date of such MCC Disbursement, it would be true, complete and correct; and

(n) MCC has not determined, in its sole discretion, that an act, omission, condition, or event has occurred that would be the basis for MCC to suspend or terminate, in whole or in part, MCC Funding in accordance with Section 5.4 (b) of the Compact.

Section 3.6 Conditions Precedent to Re-Disbursements. Prior to, and as condition precedent to, any Re-Disbursement: (a) the Fiscal Agent shall have received adequate documentary evidence of, any necessary approvals for such Re-Disbursement as provided in the Compact, the Governance Agreement, the Procurement Agreement, the Fiscal Accountability Plan and in any other applicable Supplemental Agreement; (b) all relevant conditions for such Re-Disbursement as provided in this Agreement, including in Section 1.2 and Schedule 1, any other Compact Document, the Implementation Plan or in any applicable Supplemental Agreement, shall have been satisfied; and (c) the Fiscal Agent shall have received all documents required in connection with such Re-Disbursement under the Fiscal Agent Agreement, the Fiscal Accountability Plan and any other Supplemental Agreement.

Section 3.7 Failure to Satisfy Conditions Precedent; Deferral.

(a) MCC may reduce the amount of any MCC Disbursement by an amount equal to the amount requested for any program activity (including program administration and control or monitoring and evaluation), Project, Project Activity, or sub-activity for which the relevant condition precedent(s) has not been satisfied, waived or deferred.

(b) In the event of failure to meet a condition precedent, MCC shall not have an obligation to make an MCC Disbursement unless such condition is waived by MCC or such failure is cured to the satisfaction of MCC. Any such waiver or acceptance of a cure shall be at MCC's sole discretion.

(c) Notwithstanding Section 3.7(b), MCC may defer all or part of a condition precedent rather than waive it, in which case the condition must be met by the expiration of the deferral period stated in the notice delivered by MCC to MCG as a condition precedent to the next stated applicable MCC Disbursement and in no event shall the condition be deemed waived.

Section 3.8 Annual Supplement to this Agreement. Prior to each anniversary of the Entry into Force, the Parties shall agree in writing to a detailed quarterly breakdown of the conditions precedent and any other modifications or adjustments to the conditions precedent for the next four quarters and this Agreement shall be amended to add such quarterly schedules or any other modifications or adjustments as a supplement to Schedule 1.

Section 3.9 Compliance with VAT Tax Arrangement. The Government shall comply with its obligations under the Compact and under any Supplemental Agreement relating to the treatment of VAT and other Taxes. In the event that the Government fails to comply, and such failure continues for five (5) days after notice thereof, MCC shall have the right to take action under Section 4.13(b).

Section 3.10 Reports. Any report required as a condition precedent to an MCC Disbursement shall be provided to MCC in (a) form and substance acceptable to MCC and otherwise meeting the reporting specifications for such report and (b) a timely manner to afford reasonable and appropriate review of such reports, but in any event no later than thirty (30) days (or such other time as otherwise expressly agreed by the Parties) after the end of the time period covered by such report.

ARTICLE IV.

GENERAL PROVISIONS

Section 4.1 Communications. Any notice, request, document or other communication required, permitted or submitted by a Party to another Party under this Agreement shall be (a) in writing, (b) in English, and (c) deemed duly given: (i) upon personal delivery to the Party or Parties to be notified; (ii) when sent by confirmed facsimile or electronic mail, if sent during normal business hours of the recipient Party or Parties, if not, then on the next business day; or (iii) two (2) business days after deposit with an internationally recognized overnight courier, specifying next day delivery, with written verification of receipt to the Party or Parties to be notified at the address indicated below, or at such other address as such Party may designate:

To MCC:

Millennium Challenge Corporation

Attention: Vice President for Operations

(with a copy to the General Counsel)

875 Fifteenth Street, NW

Washington, DC 20005

United States of America

Tel: 1-202-521-3600

Fax: 1-202-521-3700

Email: VPOperations@mcc.gov (Vice President for Operations);

VPGeneralCounsel@mcc.gov (Vice President and General Counsel)

To the Ministry, on behalf of the Government:

To the Ministry:

Ministry of Finance
Attention: Minister of Finance (Principal Representative)
70, I. Abashidze St.
Tbilisi, 0162
Georgia
Tel: (995-32) 22-68-05
Fax: (995-32) 93-19-22

To MCG:

With a copy to:
Chief Executive Officer
Millennium Challenge Georgia Fund
4 Sanapiro St.
Tbilisi, 0105 Georgia
Tel: (995-32) 93-91-12; 93-91-13; 93-91-33
Fax: (995-32) 93-91-44
Email: lashanidze@mcg.ge

Section 4.2 Amendments. The Parties may amend this Agreement by entering into a written amendment to this Agreement signed by the Principal Representatives of the Parties.

Section 4.3 Publicity. Subject to Section 5.17 of the Compact, MCG shall post, or cause to be posted, a copy of this Agreement and each MCC Disbursement Request on the MCA-Georgia Website and provide such other appropriate publicity to this Agreement that MCC requests.

Section 4.4 Nonwaiver of Remedies.

(a) The Parties agree that no delay or omission to exercise any right, power or remedy accruing to any Party, upon any breach, default or noncompliance by another Party under this Agreement or any other Compact Document, shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of or in any similar breach, default or noncompliance thereafter occurring.

(b) The Parties further agree that any waiver, permit, consent or approval of any kind or character on any Party's part of any breach, default or noncompliance under this Agreement or any other Compact Document or any waiver or deferral on such Party's part of any provisions or conditions of this Agreement or any other Compact Document must be in writing and shall be effective only to the extent specifically set forth in such writing.

(c) All remedies, either under this Agreement or any other Compact Document, by law or otherwise afforded to any Party, shall be cumulative and not alternative.

Section 4.5 Attachments. Any Exhibit, Schedule or other attachment expressly attached hereto (together, the "*Attachments*") is incorporated herein by reference and shall constitute an integral part of this Agreement.

Section 4.6 Inconsistencies. In the event of any conflict or inconsistency between this Agreement and the Compact, the terms of the Compact shall prevail. In the event of any conflict or inconsistency between this Agreement and any other Supplemental Agreement, the terms of this Agreement shall prevail.

Section 4.7 Headings. The Section and Subsection headings used in this Agreement are included for convenience only and are not to be considered in construing or interpreting this Agreement.

Section 4.8 Severability. If one or more provisions of this Agreement is held to be unenforceable under any applicable law, such provision(s) shall be excluded from this Agreement and the balance of this Agreement shall be interpreted as if such provision(s) were so excluded and shall be enforceable in accordance with its terms.

Section 4.9 Interpretation; Definitions. The following rules of construction shall be followed when interpreting this Agreement:

- (a) Words importing the singular also include the plural and vice versa;
- (b) Words importing one gender include the other gender;
- (c) The words “include”, “including”, and variants thereof mean “includes, but not limited to” and corresponding variant expressions;
- (d) Except as otherwise set forth herein, all references contained herein to contracts, agreements, or other documents shall be deemed to mean such contracts, agreements or documents, as the same may be modified, supplemented, or amended from time-to-time;
- (e) Each reference to any applicable law shall be construed as a reference to such applicable law as it may have been, or may from time to time be, amended, replaced, extended or re-enacted and shall include any subordinate legislation, rule or regulation promulgated under any such applicable law and all protocols, codes, proclamations and ordinances issued or otherwise applicable under any such law;
- (f) The terms “hereof”, “herein”, “hereto”, “hereunder” and words of similar or like import, refer to this entire Agreement and not any one particular Article, Section, Schedule, or other subdivision of this Agreement;
- (g) Any reference to “business days” shall mean any day other than a Saturday, Sunday, commercial banking holiday in Tbilisi, Georgia or Washington, D.C., United States, or a federal holiday in Georgia or United States of America; and any reference to “day” shall mean a calendar day;
- (h) Any reference to “month”, “quarter” or “year” shall have the common meaning given such terms based on a Gregorian calendar year beginning on January 1 and ending on December 31 and divided into four approximately equal quarters beginning on each January 1, April 1, July 1 and October 1 of each such respective calendar year;
- (i) Phrases such as “acceptable to,” “to the satisfaction of”, “at the discretion of” and phrases of similar import authorize and permit the relevant Party to approve, disapprove, act, or decline to act at such Party’s sole discretion; and

(j) For the period from the Effective Date until the earlier of (i) the effective date of the Fiscal Agent Agreement and (ii) the expiration or termination of the Financial Planning and Accounting Services Agreement (the "*FPAS Agreement*") entered into between MCG and the Financial and Accounting Services Provider (the "*PFAS*"), (A) all references to the "Fiscal Agent" and the "Fiscal Agent Agreement" in Sections 1.1(b)(i), 1.1(b)(ii), 3.1(g), 3.2(a), 3.2(c) and 3.6 of this Agreement shall be deemed to be references to the "PFAS" and the "FPAS Agreement", respectively, (B) any authorization required to be given by the Fiscal Agent herein shall not be required and (C) any certifications required to be given in any Fiscal Agent Certificate hereunder may be modified, as necessary, by the prior agreement of the PFAS, MCG and MCC.

Section 4.10 Counterparts; Signatures. This Agreement may be executed in one or more counterpart signatures and, each when so executed and delivered, shall be effective for the purposes of binding the Parties hereto, but all such counterparts shall together constitute one and the same instrument. Except as the Parties may otherwise agree in writing from time to time, a signature delivered by facsimile or electronic mail in accordance with Section 4.1 shall be deemed an original signature, and the Parties hereby waive any objection to such signature or to the validity of the underlying agreement, instrument or document on the basis of the signature's legal effect, validity or enforceability solely because it is in facsimile or electronic form. Such signature shall be accepted by the receiving Party as an original signature and shall be binding on the Party delivering such signature.

Section 4.11 Assignment. MCC may assign, delegate or contract its rights and obligations, in whole or in part, under this Agreement to any Affiliate, agent, or representative of MCC, to the full extent permitted by the laws of the United States of America, without the prior consent of the Ministry or MCG. MCC shall provide written notice to the other Parties upon the effectiveness of such assignment, delegation or contract. Neither the Ministry nor MCG may assign, delegate or contract its rights and obligations under this Agreement without the prior written consent of MCC. In accordance with Section 3.2(c) of the Compact, MCC hereby consents to the designation of the Ministry and MCG to act on behalf of the Government in connection with this Agreement consistent with the Designated Rights and Responsibilities designated by the Government to the Ministry and to MCG, respectively, on or before the date hereof, so long as such designation is not modified or revoked.

Section 4.12 Entire Agreement. This Agreement, including all Attachments, and all certificates, documents or agreements executed and delivered in connection with and in furtherance of this Agreement, when executed and delivered, shall constitute the entire agreement of the Parties with respect to the subject matter hereof, superseding and extinguishing all prior agreements, understandings and representations and warranties relating to the subject matter hereof.

Section 4.13 Termination; Suspension; Other Consequences; Survival.

(a) MCC may terminate this Agreement in its entirety by giving the other Parties thirty (30) days' written notice.

(b) Notwithstanding any other provision of this Agreement or any other Supplemental Agreement between MCC and the Government (or any Government Affiliate), MCC may suspend or terminate this Agreement, in whole or in part, and any obligation or sub-obligation related thereto, or suspend or withhold any MCC Disbursement or portion thereof, upon giving MCG written notice, if MCC determines that:

(i) The Compact has expired or has been suspended or terminated in whole or in part in accordance with Section 5.4 of the Compact; *provided, however*, this Agreement shall remain in effect for one hundred and twenty (120) days following the termination or expiration of the Compact or such other period as may be determined by MCC in accordance with Section 4.19;

(ii) Any event that would be a basis for termination or suspension of the Compact or MCC Funding under Section 5.4 of the Compact has occurred; or

(iii) Any other event has occurred, or circumstance has arisen, which in the sole opinion of MCC, constitutes a Material Adverse Change.

(c) If MCC determines that any activity or failure to act violates, or may violate, Article II of the Compact, any provision of this Agreement or any other Compact Document, MCC may refuse to make any further MCC Disbursements for or conditioned upon such activity, and may take any action to prevent any Re-Disbursement related to such activity.

(d) In the event that:

(i) the GGIC collection rate (for all services provided) after July 1, 2007 is below 95% for two consecutive quarters during the Compact Term; or

(ii) GGIC fails to maintain the Pipeline in accordance with satisfactory standards agreed by MCC and the Government that cover the design and construction of gas networks; or

(iii) except as may be otherwise agreed by MCC in writing, prior to the expiration of the Compact Term, the Government (i) sells or transfers, or permits to be sold or transferred, the Pipeline or a controlling interest in the GGIC group (GGIC and its subsidiaries and affiliates) or (ii) places or permits to be placed any Lien on the Pipeline;

then (A) prior to any further disbursement for any Project Activity, the Government shall, in accordance with its obligation set forth in Schedule 1 to Annex I of the Compact, reimburse promptly to MCC, in MCC's discretion, all or a portion of MCC Funding disbursed for Pipeline rehabilitation; and/or (B) MCC may suspend all or a portion of further disbursements in connection with the Pipeline rehabilitation and/or other Project Activities.

(e) Notwithstanding any expiration or termination of this Agreement, the following provisions shall survive: Article II (including any representations made pursuant to a Disbursement Request or MCC Disbursement), Sections 1.2, 4.1, 4.4, 4.6, 4.8, 4.9, 4.13(b) through (e), 4.14, 4.15, 4.16, 4.17, 4.18 and 4.19.

Section 4.14 MCC Status. The Parties recognize and agree that MCC is a United States government corporation acting on behalf of the United States Government in the implementation of the Compact. As such, MCC has no liability under this Agreement, is immune from any action or proceeding arising under or relating to this Agreement and the Ministry and MCG each hereby waives and releases all claims related to any such liability. In matters arising under or relating to this Agreement, MCC is not subject to the jurisdiction of the courts or any other judicial or other body of Georgia.

Section 4.15 Representatives. For all purposes relevant to this Agreement, the Ministry shall be represented by the individual holding the position of, or acting as, Minister of Finance (the

“Principal Ministry Representative”), MCC shall be represented by the individual holding the position of, or acting as, Vice President for Country Programs (the ***“MCC Principal Representative”***) and MCG shall be represented by the individual holding the position of, or acting as, Chief Executive Officer of MCG (the ***“MCG Principal Representative,”*** and together with the Principal Ministry Representative and the MCC Principal Representative, the ***“Principal Representatives”***), each of whom, by written notice, may designate one or more additional representatives (each, an ***“Additional Representative”***) for all purposes other than signing amendments to this Agreement. The names of the Principal Ministry Representative, the MCC Representative and the MCG Principal Representative and any Additional Representatives of each shall be provided, with specimen signatures, to each of the other Parties pursuant to Section 4.1 and the Parties may accept as duly authorized any instrument signed by such representatives relating to the implementation of this Agreement, until receipt of written notice of revocation of their authority. MCC or the Government may change its Principal Representative under this Agreement to a new representative of equivalent or higher rank and seniority upon written notice to the other Parties, which notice shall include the specimen signature of such new Principal Representative.

Section 4.16 Information. MCC shall have the right to use any information or data provided in any MCC Disbursement Request or report provided to MCC for the purpose of satisfying MCC reporting requirements or in any other manner.

Section 4.17 Other Compact Document Requirements. The Ministry and MCG shall comply with all applicable terms and conditions and fulfill all applicable Government Responsibilities in the other Compact Documents, including paragraphs (a), (b), (c), (d) and (f) of Section 3.8 of the Compact (which paragraphs are hereby incorporated by reference herein), and any other audit or reporting requirements.

Section 4.18 Consultation. Any Party may, at any time, request consultations relating to the interpretation or implementation of this Agreement between the Parties. Such consultations shall begin at the earliest possible date. The request for consultations shall designate a representative for the requesting Party with the authority to enter consultations and the other Parties shall endeavor to designate a representative of equal or comparable rank. If such representatives are unable to resolve the matter within twenty (20) days from the commencement of the consultations then each Party shall forward the consultation to its respective Principal Representative or such other representative of comparable or higher rank. The consultations shall last no longer than forty-five (45) days from date of commencement. If the matter is not resolved within such time period, MCC may terminate this Agreement pursuant to Section 4.13(a). The Parties shall enter any such consultations guided by the principle of achieving the Compact Goal in a timely and cost-effective manner.

Section 4.19 Effective Date; Term. This Agreement shall (a) become effective and enter into force as of the date hereof upon the signature of duly authorized representatives of the Parties (the ***“Effective Date”***) and (b) end one hundred and twenty (120) days following the termination or expiration of the Compact; *provided, however*, that the term of this Agreement may be extended for a period that is longer than one hundred and twenty (120) days following the termination or expiration of the Compact if MCC determines that Re-Disbursements related to obligations incurred prior to the expiration or termination of the Compact remain to be paid.

Section 4.20 Governing Law. This Agreement is an implementing agreement of the Compact, forms an integral part of such international agreement, and is governed by the principles of international law.

Section 4.21 Language. This Agreement is prepared and executed in English and in the event of any ambiguity or conflict between this official English version and any other version translated into the Georgian language for the convenience of the Parties, this official English language version shall prevail.

[Signature page begins on the next page.]

IN WITNESS WHEREOF, the Government acting through the Ministry, MCG and MCC, each acting through its duly authorized representative, have caused this Agreement to be executed in their names and delivered as of the date first written above.

MINISTRY OF FINANCE, ON BEHALF
OF THE GOVERNMENT OF GEORGIA

MILLENNIUM CHALLENGE
CORPORATION

By: _____ / s / _____
Name: Alexi Alexishvili
Title: Minister of Finance

By: _____ / s / _____
Name: John Hewko
Title: Vice President of Operations

MILLENNIUM CHALLENGE
GEORGIA FUND

By: _____ / s / _____
Name: Lasha Shanidze
Title: Chief Executive Officer

**SIGNATURE PAGE TO DISBURSEMENT AGREEMENT BY AND AMONG
THE MILLENNIUM CHALLENGE CORPORATION, THE MINISTRY OF FINANCE,
ON BEHALF OF THE GOVERNMENT OF GEORGIA AND THE MILLENNIUM CHALLENGE GEORGIA FUND**

MCG

By: _____

Name: _____

Title: _____

As Authorized Principal Representative of MCG

Date: _____

Certified by the Chair of the Supervisory Board of MCG

By: _____

Name: _____

Date: _____

[_____], as the Fiscal Agent

By: _____

Name: _____

Date: _____

Signing only for the purposes of Sections 2(B) through 2(F) and Sections 3-5 of this Request.

Section 2. Programmatic and Financial Progress Update

A. Program and Project Progress Reports required in the M&E Plan, Work Plans and other Components of the Implementation Plan , including the Management Discussion and Analysis Report (as described in Section 3.2(a)(ii) of the Disbursement Agreement)

B. Total Program Financial Plan Adjustment Request Form

Project Project Activity	Original Program Multi-Year Financial Plan in Compact 1	Current Approved Multi-Year Financial Plan (From Sch. C) 2	Proposed Adjustments		Proposed Adjusted Multi-Year Financial Plan 2+3-4 5
			Increase 3	Decrease 4	
1. Regional Infrastructure Rehabilitation Project					
Road Rehabilitation Project Activity	-	-	-	-	-
Regional Infrastructure Development Project Activity					
Energy Rehabilitation Project Activity					
2. Enterprise Development Project					
Georgia Regional Development Fund Project Activity	-	-	-	-	-
Agribusiness Development Project Activity					
3. Monitoring and Evaluation					
4. Program Administration and Control					
Program Administration					
Audit					
Fiscal and Procurement Management					
Grand Total	-	-	-	-	-

C. Summary of Financial Plan Adjustments to Date

Project Activity	Original Program Multi-Year Financial Plan in Compact	(Date) Adjustment Reported/ Approved	(Date) Adjustment Reported/ Approved	(Date) Adjustment Reported/ Approved	Current Approved Multi-Year Financial Plan 1 +/- Adjustments
	1	2	3	4, etc.	5
1. Regional Infrastructure Rehabilitation Project					
Road Rehabilitation Project Activity		-	-	-	-
Regional Infrastructure Development Project Activity					
Energy Rehabilitation Project Activity					
2. Enterprise Development Project					
Georgia Regional Development Fund Project Activity					
Agribusiness Development Project Activity		-	-	-	-
3. Monitoring and Evaluation					
4. Program Administration and Control					
Program Administration					
Audit					
Fiscal and Procurement Management		-	-	-	-
Grand Total	-	-	-	-	-

D. Quarterly Financial Plan Adjustment Request Form

Project	Current Approved Cumulative Quarterly Financial Plan Through Current Period	Proposed Adjustments to Cumulative Quarterly Financial Plan Through Next Period		Proposed Cumulative Quarterly Financial Plan as of the End of the Next Period 1+2-3 4
		Increase 2	Decrease 3	
Project Activity	1			
		-		-
1. Regional Infrastructure Rehabilitation Project				
Road Rehabilitation Project Activity				
Regional Infrastructure Development Project Activity				
Energy Rehabilitation Project Activity				
2. Enterprise Development Project				
Georgia Regional Development Fund Project Activity				
Agribusiness Development Project Activity				
		-		-
3. Monitoring and Evaluation				
4. Program Administration and Control				
Program Administration				
Audit				
Fiscal and Procurement Management		-		-
Grand Total	-	-	-	-

E. Commitment and Expenditure Report

Project Activity	Cumulative Actual Re-disbursements as of the Beginning of the Current Period	1	Projected Re-disbursements for the Current Period	2	Projected Cumulative Re-disbursement Through the Current Period (1+2)	3	Projected Unliquidated Commitments as of the End of the Current Period	4	Projected Cum. Commitments and Re-disbursements End of Current Period	5	Current Proposed Multi-year Financial Plan	6	Projected Balance Multi-year Financial Plan-End of Current Period (6-5)	7
1. Regional Infrastructure Rehabilitation Project	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Rehabilitation Project Activity														
Regional Infrastructure Development Project Activity														
Energy Rehabilitation Project Activity														
2. Enterprise Development Project	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Georgia Regional Development Fund Project Activity														
Agribusiness Development Project Activity														
3. Monitoring and Evaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Program Administration and Control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Program Administration														
Audit														
Fiscal and Procurement Management														
Grand Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-

F. Projected Program Cash Requirements for Next Disbursement Period

Project Project Activity	Projected Cumulative Re-disbursement Through the Current Period (Sch. E, Col 3)	Projected Cash Requirements for the Next Disbursement Period	Projected Cumulative Re-disbursements as of the End of the Next Disbursement Period (1+2)
	1	2	3
1. Regional Infrastructure Rehabilitation Project			
Road Rehabilitation Project Activity	-	-	-
Regional Infrastructure Development Project Activity			
Energy Rehabilitation Project Activity			
2. Enterprise Development Project			
Georgia Regional Development Fund Project Activity			
Agribusiness Development Project Activity			
3. Monitoring and Evaluation			
	-	-	-
4. Program Administration and Control			
Program Administration			
Audit			
Fiscal and Procurement Management			
	-	-	-
Grand Total	-	-	-

Section 3. Cash Reconciliation

Date _____

1. Cash Balance From Beginning of Current Period	
2. a. Add: MCC Disbursement Received and Date Received	
2. b. Interest Earned and Received	
2. c. Amount and Source of Other Cash Received	
3. Total Sources of Cash This Period, Lines 2.a + 2.b + 2.c	-
4. Total Cash Available, Lines 1 + 3	\$ -
5. a. Less: Total Program Re-Disbursements	
5. b. Interest Returned to the US Government	
6. Total Uses of Cash This Period, Lines 5.a + 5.b	-
7. Cash Balance at End of Disbursement Period, Lines 4 - 6	\$ -

Section 4. Disbursement Request

1. Total Forecasted Program Cash Requirements - Sch F, Col 2	
2. Interest to be Returned to the US Government Next Period	
3. Working Capital Balance	500,000.00
4. Total, Lines 1 + 2 + 3	\$ 500,000.00
5. Cash Balance at End of Current Period - Section 3, Line 7	-
6. Disbursement Request From MCC 4 - 5	\$ 500,000.00

Section 5. Interest Summary

1. Cumulative Interest Earned and Received as of Beginning of Current Period	
2. Interest Earned and Received During the Current Period	
3. Total Interest and Earned as of End of This Period, Lines 1 + 2	\$ -
4. Cumulative Interest Returned as of Beginning of Current Period	
5. Interest Returned The Current Period	
6. Total Cumulative Interest Returned During the Current Peirod, Lines 4 + 5	-
7. Interest Due to Be Returned, Line 3 - 6	\$ -

Section 6. Conditions Precedent (Including Expected Performance Milestones)	
Country	
Projects	
Compact Date/Entry of Force	
Compact Number (noted on exchange of letters for entry into force of the Compact)	
Accountable Entity	MCG
Fiscal Agent	
Request Date	
Disbursement Period Beginning Date	
Disbursement Period End Date	
Disbursement Request Number	
Currency	US Dollars
Conditions Precedent and Key Milestones	

SCHEDULE 1
ADDITIONAL CONDITIONS PRECEDENT

MCA Georgia Disbursement Agreement Schedule 1 Conditions Precedent

In addition to any other conditions precedent set forth in the Compact Documents, the Implementation Plan or any other Supplemental Agreement, as a condition precedent to each disbursement for the Program, or a Project or any Project Activity identified below, the Government of Georgia, Millennium Challenge Georgia Fund (MCG) and other Permitted Assignees, as appropriate, shall satisfy, as MCC determines in its sole discretion, each condition precedent set forth below that corresponds to such disbursement prior to the quarter shaded (or event specified) for such disbursement. Where the relevant condition precedent is to apply prior to a specified event or in a specified sequence as noted in the "Notes" column, the shaded quarter is only an estimate as to when that event or sequencing is forecasted to occur.

Except as otherwise expressly specified below, each document required as a condition precedent herein shall be in form and substance acceptable to MCC. References in this Schedule to "disbursements" and "re-disbursements" shall mean "MCC Disbursements" and "Re-Disbursements, respectively, as defined in the Compact.

Disbursements in years 2-5 shall be subject to additional conditions precedent set forth in the Implementation Plan, the Compact Documents, any other Supplemental Agreement and any amendments to the Disbursement Agreement, including the annual supplements to this Schedule 1, as provided in Section 3.8. For purposes of the Disbursement Agreement, each quarter shall begin on the 1st day of each of January, April, July and October; provided that, the first quarter of Year 1 shall end on March 31, 2006.

Program or Project Activity	Condition Precedent	Notes (including sequencing of condition precedent)	Implementation Period								
			Year 1				Year 2	Year 3	Year 4	Year 5	
			Q1	Q2	Q3	Q4					
Program Administration and all Project Activities											
<i>Program Administration and all Project Activities</i>	Conditions precedent set forth in § 3.1 of the Disbursement Agreement have been satisfied	Prior to initial disbursement									
	MCG provides evidence that the VAT account has been created and delivers to MCC a duly executed agreement between MCG and the Government setting forth VAT and other tax arrangements	Prior to initial disbursement									
	MCG has finalized and signed a Fiscal Agent Agreement that is acceptable to MCC and remains in full force and effect, and has delivered to MCC executed copies thereof (including any amendments thereto)	Prior to any disbursement beginning in Q3									
	MCG has finalized and signed a Procurement Agent Agreement that is acceptable to MCC and remains in full force and effect, and has delivered to MCC executed copies thereof (including any amendments thereto)	Prior to any disbursement beginning in Q3									
	MCG has finalized and signed a Bank Agreement that is acceptable to MCC and remains in full force and effect, and has delivered to MCC executed copies thereof (including any amendments thereto)	Prior to any disbursement beginning in Q3									
	MCG adopts a Procurement Plan that is in full force and effect	Prior to any disbursement beginning in Q3									

* Condition will be deemed to have been satisfied if results are within 10% of stated numeric target.

Program or Project Activity	Condition Precedent	Notes (including sequencing of condition precedent)	Implementation Period										
			Year 1				Year 2	Year 3	Year 4	Year 5			
			Q1	Q2	Q3	Q4							
	MCG adopts a Fiscal Accountability Plan that is in full force and effect	Prior to any disbursement beginning in Q3											
	Conditions precedent set forth in §§ 3.2 and 3.5 of the Disbursement Agreement have been satisfied	Prior to any disbursement											
	Conditions precedent set forth in § 3.3 of the Disbursement Agreement have been satisfied, as applicable to the relevant Disbursement Period	Semi-annual deliveries, as described in the Disbursement Agreement											
	Conditions precedent set forth in § 3.4 of the Disbursement Agreement have been satisfied, as applicable to the relevant Disbursement Period	Annual deliveries, as described in the Disbursement Agreement											
	MCG has duly adopted, and MCC has duly approved, an M&E Plan, and the M&E Plan is current and updated	Prior to any disbursement beginning in Year 1 Q3											
	MCG has duly adopted, and MCC has duly approved, an Audit Plan, and the Audit Plan is current and updated	Prior to any disbursement beginning in Year 1 Q3											
All Project Activities													
<i>All Project Activities</i>	Monitoring & Evaluation Director for MCG is selected and approved by MCC and remains engaged, or in the event the position is vacant, MCG is actively recruiting for the position, to the satisfaction of MCC	Prior to any disbursement for any Project Activity											
	Environmental and Social Impact Director for MCG is selected and approved by MCC and remains engaged, or in the event the position is vacant, MCG is actively recruiting for the position, to the satisfaction of MCC	Prior to any disbursement for any Project Activity											
	MCG has duly approved a bid challenge system acceptable to MCC that remains in full force and effect	Prior to any disbursement for any Project Activity beginning in Year 1 Q3											
	Survey mechanism for primary data gathering has been designed in accordance with M&E Plan	Prior to any disbursement for initial Project Activity, beginning in Year 1 Q3											
	Data Quality Review report has been completed and submitted to MCC, in accordance with M&E Plan	To be completed for Year 2 Q1 and Year 4 Q1											
	An Interim Evaluation in form and substance acceptable to MCC has been completed and submitted, in accordance with M&E Plan	To be completed for Year 3 Q3											
	Independent evaluator(s) acceptable to MCC have been engaged to complete the final impact evaluation, in accordance with M&E Plan	Prior to any disbursement in Year 5, Q 3											
Infrastructure Rehabilitation Project													

* Condition will be deemed to have been satisfied if results are within 10% of stated numeric target.

Program or Project Activity	Condition Precedent	Notes (including sequencing of condition precedent)	Implementation Period							
			Year 1				Year 2	Year 3	Year 4	Year 5
			Q1	Q2	Q3	Q4				
Samtskhe-Javakheti Road Rehabilitation Project Activity										
<i>Construction or Supervision</i>	Road Project Director has been selected and approved by MCC and remains engaged, or in the event the position is vacant, MCG is actively recruiting for the position to the satisfaction of MCC	Prior to any disbursement for the Project Activity								
	MCG provides evidence that the Environmental Management Plan has been completed	Prior to initial disbursement for construction on any road segment								
	MCG provides evidence that (i) the national budget for routine and periodic maintenance for the maintainable road network has been approved for the forthcoming fiscal year at the levels stipulated in Compact Schedule 1, § 6(a)(i)(3), (ii) the amounts budgeted for routine and periodic maintenance in the prior fiscal year have been expended for the intended purpose and (iii) that any shortfall in the road maintenance budget from the prior fiscal year has been made up in the budget of the current fiscal year	Prior to initial disbursement for the Project Activity in any fiscal year		GEL 60m			GEL 70m	GEL 80m	GEL 90m	GEL 100m
	MCG submits a report to MCC demonstrating that all primary survey baseline data, including environmental data described in the Environmental Management Plan, has been collected	Prior to initial disbursement for construction on any road segment								
	MCG provides evidence that any required resettlement plan has been completed in a manner acceptable to MCC	Prior to initial disbursement for construction on any road segment								
	MCG provides evidence that any required resettlement plan is being implemented in accordance with World Bank operational policy on involuntary resettlement and in a manner acceptable to MCC	Prior to any disbursement (other than the initial disbursement) for construction on any road segment.								
	MCG provides a list of all permits necessary to perform the project activity, including any required environmental permits and related public disclosure and consultation, and certifies that such permits are on file and have been validly issued, are in full force and effect, and are non-appealable	Prior to initial disbursement for construction on any road segment								
	MCG provides certification from the Ministry of Finance indicating that the Government will fund any environmental mitigation costs for the Samtskhe-Javakheti Road not already included in the Financial Plan	Prior to initial disbursement for construction								
	MCG provides evidence that the environmental and social impact assessment has been finalized.	Prior to initial disbursement for construction								
	An Outside Project Manager remains engaged, pursuant to an agreement that the Board and MCC have duly approved and that is in full force and effect	Prior to any disbursement for construction on any road segment								

* Condition will be deemed to have been satisfied if results are within 10% of stated numeric target.

Program or Project Activity	Condition Precedent	Notes (including sequencing of condition precedent)	Implementation Period											
			Year 1				Year 2	Year 3	Year 4	Year 5				
			Q1	Q2	Q3	Q4								
	A Construction Supervisor remains engaged, pursuant to an agreement that the Board and MCC have duly approved and that is in full force and effect	Prior to any disbursement for construction on any road segment												
	MCG provides evidence of continued compliance, satisfactory to MCC, with Environmental Management Plan	Prior to any disbursement for construction on any road segment												
	MCG selects and finalizes agreements for construction works, as necessary, in accordance with a process acceptable to MCC	Prior to any disbursement for construction on any road segment												
	MCG provides evidence that the Road Department is conducting maintenance -- including routine, emergency and winter maintenance -- on previously completed Road segments in accordance with measurable performance standards acceptable to MCC	Prior to any disbursement for construction on any road segment in Year 4 or Year 5												
	Reduction in journey time: Alkhalkalaki-Ninotsminda-Teleti (in hours)	The target should be met by the end of Q4 of each operating year.				0	0	1	2.5	2.8				
	Cumulative reduction in vehicle operating costs (defined as the economic value of vehicle running costs for the duration of the journey on the section of road or road network, the vehicle depreciation and maintenance costs and the associated costs related to the driver/goods transported for the journey)	Target to be met by the end of Q4 of each operating year.				0%	0.5%	2.0%	6.0%	15%				
<i>Technical assistance and road master planning</i>	Consultant(s) for technical assistance and/or road master planning are selected according to a process acceptable to MCC, and a copy of the duly executed agreement(s) has been delivered to MCC	Prior to initial disbursement for technical assistance or road master planning												
	Consultant(s) for technical assistance and/or road master planning remain(s) engaged, pursuant to an agreement that the Board and MCC have duly approved and that is in full force and effect	Prior to any disbursement for technical assistance or road master planning												
Energy Rehabilitation Project Activity														
<i>Pipeline rehab construction or supervision</i>	Energy Rehabilitation Project Director has been selected and approved by MCC and remains engaged, or in the event the position is vacant, MCG is actively recruiting for the position, to the satisfaction of MCC	Prior to any disbursement for the Project Activity												
	MCG provides evidence that the Georgia Tax Restructuring Committee has granted GGIC relief for past tax liabilities in the form of a 15 year restructuring plan for such liabilities, including a 5-year freeze and a 10-year payment period	Prior to initial re-disbursement for the Project Activity												
	MCG provides GGIC's audited financial statements for fiscal years 2002 and 2003 and unaudited financial statements for fiscal year 2004 and unaudited financial statements for the six-month period ending June 30, 2005	Prior to initial disbursement for the Project Activity												

* Condition will be deemed to have been satisfied if results are within 10% of stated numeric target.

Program or Project Activity	Condition Precedent	Notes (including sequencing of condition precedent)	Implementation Period										
			Year 1				Year 2	Year 3	Year 4	Year 5			
			Q1	Q2	Q3	Q4							
	MCG provides GGIC's audited financial statements for fiscal year 2004	Prior to initial disbursement for the Project Activity on or after January 1, 2006											
	MCG provides GGIC's audited financial statements for each fiscal year within 6 months of the close of each fiscal year	Prior to any disbursement for the Project Activity on or after September 30, 2006											
	MCG agrees to additional conditions precedent, if deemed necessary, on review of GGIC's audited financial statements for fiscal years 2002 and 2003 and unaudited financial statements for fiscal year 2004 and unaudited financial statements for the six-month period ending June 30, 2005	Prior to initial re-disbursement for the Project Activity											
	MCG provides evidence that the Ministry of Energy has finalized a strategy for resolving Kazbegigazi non-payment and Tbilgazi non-payment to GGIC, physical gas losses and tax liabilities	Prior to initial re-disbursement for the Project Activity											
	MCG is in compliance with other conditions precedent agreed as a result of the review of GGIC's financial records, if applicable	Prior to any disbursement for the Project Activity after the initial disbursement											
	MCG provides evidence that the Ministry of Energy is actively implementing its strategy for resolving Kazbegigazi non-payment and Tbilgazi non-payment to GGIC, physical gas losses and tax liabilities	Prior to any disbursement for the Project Activity after the initial disbursement											
	MCC is satisfied that the Government has developed and is maintaining a continuing Pipeline rehabilitation program, if applicable utilizing operating cash flow and carbon credit financing, as applicable	Prior to any disbursement for the Project Activity after the initial disbursement											
	MCC is satisfied that the Government has not sold or transferred, or permitted or suffered to be sold or transferred, or taken any steps to sell or transfer, including by introducing any legislation, the Pipeline or a controlling interest in the GGIC group and has not placed or permitted, or taken any steps to permit or place, or suffer to permit, any lien on the Pipeline	Prior to any disbursement for the Project Activity											
	MCC is satisfied that GGIC is maintaining the Pipeline in accordance with Agreed Standards, as set forth in Schedule 1 to Annex I of the Compact	Prior to any disbursement for the Project Activity on or after July 1, 2007											
	GGIC has obtained and retains authorization from GNERC to withhold gas as payment in kind for transmission charges, to the extent needed to ensure 95% collection rate for all services provided	Prior to any disbursement for the Project Activity on or after July 1, 2007											

* Condition will be deemed to have been satisfied if results are within 10% of stated numeric target.

Program or Project Activity	Condition Precedent	Notes (including sequencing of condition precedent)	Implementation Period										
			Year 1				Year 2	Year 3	Year 4	Year 5			
			Q1	Q2	Q3	Q4							
	MCC is satisfied that GGIC maintains a collection rate (defined as the percentage of sales collected for all services provided in the form of cash payments (which cash receipts may include proceeds from the sale of gas taken as payment in kind for transmission services)) of at least 95% for each of the two immediately preceding consecutive calendar quarters	Prior to any disbursement for the Project Activity on or after July 1, 2007											
	MCG provides evidence that the Environmental Management Plan has been completed	Prior to initial disbursement for construction on any pipeline segment											
	MCG provides certification from the Ministry of Finance indicating that the Government will fund any environmental mitigation costs for the Pipeline not already included in the Financial Plan	Prior to initial disbursement for construction											
	MCG submits a report to MCC demonstrating that all baseline environmental data described in the Environmental Management Plan has been collected	Prior to initial disbursement for construction on any pipeline segment											
	MCA-Georgia provides evidence that the environmental analyses have been completed	Prior to initial disbursement for construction on any pipeline segment											
	MCG provides evidence that GGIC has completed an application to the Clean Development Mechanism (CDM) Process at the UNFCCC for potential sale of emission reductions	Prior to second disbursement for construction											
	An Outside Project Manager remains engaged, pursuant to an agreement that the Board and MCC have duly approved and that is in full force and effect	Prior to any disbursement for construction on any pipeline segment											
	MCG selects and finalizes agreement(s) for construction works, as necessary, in accordance with a process acceptable to MCC	Prior to initial disbursement for construction on any pipeline segment											
	MCG provides evidence that any required resettlement plan for a pipeline segment or area has been completed in a manner acceptable to MCC	Prior to initial re-disbursement for construction activities involving or requiring resettlement for such pipeline segment											
	MCG provides evidence that each required completed resettlement plan is being implemented for any pipeline segment or area reflected in the construction works package in accordance with World Bank operational policy on involuntary resettlement and in a manner acceptable to MCC	Prior to any disbursement for any construction on any pipeline segment											

* Condition will be deemed to have been satisfied if results are within 10% of stated numeric target.

Program or Project Activity	Condition Precedent	Notes (including sequencing of condition precedent)	Implementation Period										
			Year 1				Year 2	Year 3	Year 4	Year 5			
			Q1	Q2	Q3	Q4							
	MCG provides a list of all permits necessary to perform the project activity, including any required environmental permits and related public disclosure and consultation, and certifies that such permits are on file and have been validly issued, are in full force and effect, and are non-appealable	Prior to initial disbursement for construction on any pipeline segment											
	MCG provides evidence of continued compliance, satisfactory to MCC, with Environmental Management Plan	Prior to any disbursement for construction on any pipeline segment after Year 1 Q3											
	MCG provides evidence that appropriate personnel of GGIC have received official environmental, health and safety training	Prior to any disbursement for construction on or after January 1, 2007											
	MCG provides evidence that an environmental audit of GGIC, in form and substance acceptable to MCC, has been completed, and any required action plans are being implemented.	Prior to any disbursement for construction on or after January 1, 2007											
	Technical losses (defined as losses between receiving point on Georgia-Russian border and customer delivery points, including Georgia-Armenia border, expressed as a share of total gas transported)	Target to be met by end of Q4 of each operating year					5.0%	4.0%	3.0%	2.0%	2.0%		
	Collection rate of GGIC (defined as revenues from Gardabani, industries, gas distribution companies, and gas consumers, including payments in kind)	Target to be met by end of Q4 of each operating year.					50%	95%	95%	95%	95%		
Energy Advisory	Energy Advisor(s) are selected and engaged in accordance with a process acceptable to MCC, and a copy of the duly executed agreement has been delivered to MCC	Prior to initial disbursement for the energy advisor											
	Energy Advisor(s) remains engaged, pursuant to an agreement that the Board and MCC have duly approved and that is in full force and effect	Prior to any disbursement for the energy advisor											
Regional Infrastructure Development Project Activity													
<i>Project Supervision</i>	Regional Infrastructure Development Project Director has been selected and approved by MCC and remains engaged, or in the event the position is vacant, MCG is actively recruiting for the position, to the satisfaction of MCC	Prior to any disbursement for the Project Activity											
	MCG finalizes and signs the Collaboration Agreement, including fees, the Service Agreement(s), including fees, and the RID Operations Manual, and delivers executed copies thereof (and any amendments thereto) to MCC	Prior to initial re-disbursement for the Project Activity											
	MCG provides evidence that it has agreed with MDF on a "pipeline" of projects for the upcoming year and obtains MCC approval thereof	Prior to initial re-disbursement for the Project Activity											
	MCG provides evidence that it has agreed with MDF on a "pipeline" of projects for the upcoming year and obtains MCC approval thereof	Prior to initial disbursement for the Project Activity in any year beginning in Year 2											

* Condition will be deemed to have been satisfied if results are within 10% of stated numeric target.

Program or Project Activity	Condition Precedent	Notes (including sequencing of condition precedent)	Implementation Period											
			Year 1				Year 2	Year 3	Year 4	Year 5				
			Q1	Q2	Q3	Q4								
	MCG certifies that the Collaboration Agreement, the Service Agreement(s) and RID Operations Manual remain in full force and effect	Prior to any disbursement for the Project Activity after the initial disbursement for the Project Activity												
	MCG provides evidence that previously disbursed funds for RID projects have been used for the purposes intended	Prior to any disbursement for the Project Activity after the the first disbursement for RID grant funding												
	MCG provides confirmation that any Government commitment(s) to support Operations & Maintenance or debt service (as applicable) on completed projects are being honored, to the satisfaction of MCC	Prior to any semi-annual disbursement for the Project Activity, starting in Year 2												
	MCG confirms that MCG has a seat on the MDF Supervisory Board	Prior to initial disbursement in any year												
	MCG approves any changes in fees assessed under the Collaboration and Service Agreements, any new agreement(s), and any amendments to the Collaboration Agreement, Service Agreement(s), and/or Operations Manual for the forthcoming year and obtains MCC approval thereof.	Prior to initial disbursement in Years 2 - 5												
	MCG certifies receipt of the audits and reports required by the Collaboration Agreement, Operations Manual, and/or Service Agreement(s).	Prior to initial disbursement in Years 2 - 5												
	MCG confirms that MDF has hired additional qualified staff, including an environmental specialist and an M&E specialist acceptable to MCC, and that such staff remains engaged	Prior to any disbursements for the Project Activity after the end of Q2, Year 1.												
<i>Grants Funding</i>	MCG certifies that each proposal complies with the RID Operations Manual and has been approved by the MDF Supervisory Board and by MCG	Prior to any re-disbursement for RID grant funding												
	MCG provides a list of all permits necessary to perform the project activity, including any required environmental permits and related public disclosure and consultation, and certifies that such permits are on file and have been validly issued, are in full force and effect, and are non-appealable	Prior to any re-disbursement for RID grant funding												
	MCG certifies that each approved project includes a sustainable Operations & Maintenance plan and funding plan, and has the required no-objection letter(s) from a Service Provider, pursuant to a Services Agreement	Prior to any re-disbursement for RID grant funding												
	Cumulative number of RID projects completed (defined as total number of rehabilitation projects completed under the RID activity framework)	The target should be met by the end of Q4 of each operating year					0	0	6	10	12			
	Cumulative number of household beneficiaries served by RID projects (defined as number of households benefitting from improved water/sanitation, irrigation and/or gas provision under RID rehabilitation projects)	The target should be met by the end of Q4 of each operating year.					0	0	20,000	46,000	53,000			
Enterprise Development Project														

* Condition will be deemed to have been satisfied if results are within 10% of stated numeric target.

Program or Project Activity	Condition Precedent	Notes (including sequencing of condition precedent)	Implementation Period							
			Year 1				Year 2	Year 3	Year 4	Year 5
			Q1	Q2	Q3	Q4				
Georgia Regional Development Fund Project Activity										
<i>Fund Supervision</i>	Georgia Regional Development Fund Project Director has been selected and approved by MCC and remains engaged, or in the event the position is vacant, MCG is actively recruiting for the position, to the satisfaction of MCC	Prior to any disbursement for the Project Activity								
	Fund Manager has been selected and approved by MCC and engaged in accordance with a process acceptable to MCC, and a copy of the duly executed Fund Management Agreement has been delivered to MCC	Prior to initial re-disbursement for the Project Activity								
	MCG provides evidence, including receipt of legal opinions, that the Fund is duly formed, validly existing and authorized to perform business in the jurisdiction of its incorporation and authorized to perform its business according to the laws of Georgia	Prior to initial re-disbursement for the Project Activity								
	MCG and MCC jointly approve all proposed members of the Fund Board of Directors and Investment Committee	Prior to initial re-disbursement for the Project Activity								
	MCG provides evidence that the Fund Manager has identified and complied with any requirements of Georgian law for conducting its operations in Georgia	Prior to initial re-disbursement for the Project Activity								
	Fund Manager remains engaged, pursuant to an agreement that the Board and MCC have duly approved and that is in full force and effect, and the "key man" requirements continue to be met	Prior to any disbursement for the Project Activity after the engagement of the Fund Manager								
	MCG provides evidence of receipt and acceptance of the approved Annual Budget and all quarterly updates and any audits and reports (including environmental and social reports) required to date by Fund documents	Prior to any disbursement for the Project Activity after the engagement of the Fund Manager								
	MCG provides evidence that the aggregate amount of write-downs and write-offs do not exceed 50 percent as described in §9.3(b)(vi) of the Fund Management Agreement	Prior to any disbursement for the Project Activity after the engagement of the Fund Manager								
	MCG provides evidence that the Fund Manager has met at least 40 percent of each Projection (as defined in the Fund Management Agreement) for two consecutive Fiscal Years (defined in the Fund Management Agreement) after the first Fiscal Year of the Fund	Prior to any disbursement for the Project Activity beginning in Q2, Year 4								
	MCG provides evidence that a separate Fund account has been created	Prior to initial disbursement for project investments								

* Condition will be deemed to have been satisfied if results are within 10% of stated numeric target.

Program or Project Activity	Condition Precedent	Notes (including sequencing of condition precedent)	Implementation Period										
			Year 1				Year 2	Year 3	Year 4	Year 5			
			Q1	Q2	Q3	Q4							
	MCG completes final fund documents, including investment guidelines, environmental procedures ("Fund Environmental Procedures"), operating policy, and technical assistance facility guidelines and certifies that all such documents, together with the organizational documents of the Fund and any related entity, the Fund Management Agreement and all Fund Documents remain in full force and effect	Prior to any disbursement for the Project Activity after the engagement of the Fund Manager											
	MCG provides evidence that each project investment to date was approved by the Investment Committee and complied with the Investment Policy Guidelines and continues to be in compliance with the terms of the Fund Management Agreement, the Investment Policy Guidelines and any other Fund Document.	Prior to any disbursement or re-disbursement for project investments											
	MCG provides evidence that GRDF investments have been undertaken in accordance with the Fund Environmental Procedures and that such investments remain in compliance with applicable Georgian law and regulations	Prior to any disbursement or re-disbursement for a project investment											
	If the Fund Drawing (defined in the Fund Management Agreement) exceeds \$25,000, MCG provides certification that MCC has issued a no objection for the Fund Drawing	Prior to any re-disbursement											
	MCG provides evidence that the Fund's Board has approved any investment of more than \$2.0 million	Prior to any re-disbursement for a project investment of more than \$2.0 million											
<i>Technical assistance</i>	MCG provides evidence from the Fund Manager that any Fund Drawing Requests comply with TA guidelines	Prior to any disbursement for technical assistance											
<i>Legal and Policy Environment technical assistance</i>	Legal and Policy Environment expert selected and engaged in accordance with a process acceptable to MCC, and a copy of the duly executed agreement delivered to MCC	Prior to initial re-disbursement for the sub-activity											
	Legal and Policy Environment expert remains engaged, pursuant to an agreement that the Board and MCC have duly approved and that is in full force and effect	Prior to any disbursement for the sub-activity											
	MCG verifies receipt of all reports due from Legal and Policy Environment expert prior to disbursement date	Prior to any disbursement for the sub-activity, starting in Year 2											
<i>ADA administration</i>	Agribusiness Development Project Director has been selected and approved by MCC and remains engaged, or MCG is actively recruiting for the position in the event it is vacant	Prior to any disbursement for the Project Activity											
	Outside Project Manager is selected in accordance with a process acceptable to MCC and approved by MCC	Prior to initial re-disbursement for the Project Activity											

* Condition will be deemed to have been satisfied if results are within 10% of stated numeric target.

Program or Project Activity	Condition Precedent	Notes (including sequencing of condition precedent)	Implementation Period																
			Year 1				Year 2	Year 3	Year 4	Year 5									
			Q1	Q2	Q3	Q4													
	Outside Project Manager remains engaged throughout the Project Activity	Prior to any disbursement for the Project Activity after the selection of the Outside Project Manager																	
<i>Grants to Rural Enterprises & Access to Modern Technology</i>	MCG finalizes operating procedures for evaluating individual proposals for ADA grants and competitive bid awards, including selection criteria and selection committee, and such procedures remain in place	Prior to any disbursement for grants and competitive bid awards																	
	MCG develops environmental selection criteria and other environmental procedures ("ADA Environmental Procedures") satisfactory to MCC on the proper selection, use, storage and disposal of agricultural chemicals, agricultural waste and by-products, and other sensitive materials, as required, and such selection criteria remain in force	Prior to any disbursement for grants and competitive bid awards																	
	The ADA Project Director certifies that each ADA grant and competitive bid award has satisfied all relevant requirements, as outlined in the grant procedures	Prior to any re-disbursement for grants and competitive bid awards																	
	MCG provides evidence that ADA grants and competitive bid awards have been undertaken in accordance with the ADA Environmental Procedures and that such investments remain in compliance with applicable Georgian law and regulations	Prior to any re-disbursement for grants and competitive bid awards																	
	MCG approves any ADA grant and competitive bid awards for more than \$25,000 and obtains MCC no-objection	Any disbursement for funding and making grants above \$25,000																	
	Cumulative jobs created from ADA grants and competitive bids (defined as cumulative number of jobs created on farms and at input supply services and agribusiness enterprises to that ADA funds)	Target to be met by end of Q4 of each operating year.				0	640	1,280	1,920	2,450									
	Cumulative number of beneficiaries (defined as aggregate number of beneficiaries from ADA projects, including population directly employed in agribusinesses, input supply services and enterprises and their clients)	Target to be met by end of Q4 of each operating year.				0	13,645	27,930	42,247	54,236									

* Condition will be deemed to have been satisfied if results are within 10% of stated numeric target.

SCHEDULE 2

GLOSSARY

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