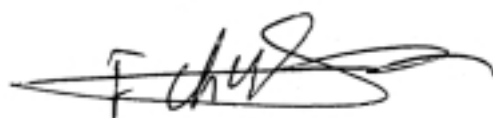


SCOPE OF WORK
FOR
THE PRELIMINARY STUDY
ON
THE MASTER PLAN ON PROMOTION OF MINING INDUSTRY
IN
GEORGIA

AGREED UPON BETWEEN
MINISTRY OF ECONOMY, INDUSTRY AND TRADE
AND
JAPAN INTERNATIONAL COOPERATION AGENCY

Signed at Tbilisi, on 26th July 2000



Ivane Chkhartishvili
Minister
Ministry of Economy, Industry and
Trade of Georgia



Kazuo Tanigawa
Leader,
The Preliminary Study Team
Japan International
Cooperation Agency

I. INTRODUCTION

In response to the request of the Government of Georgia, the Government of Japan has decided to conduct the Master Plan Study on Promotion of Mining Industry in Georgia (hereinafter referred to as "the Study") in accordance with the relevant laws and regulations in force in Japan.

Accordingly, the Japan International Cooperation Agency (hereinafter referred to as "JICA"), the official agency responsible for the implementation of the technical cooperation programmes of the Government of Japan, will undertake the Study in close cooperation with the authorities concerned of Georgia.

The present document sets forth the scope of work with regard to the Study.

II. OBJECTIVES OF THE STUDY

The main objective of the Study is to implement the mining master plan emphasizing the restructure of the mining sector including smelting industry, evaluation of ore deposits, inducing foreign investment, relationship between the government and private sector and countermeasures for environmental protection.

III. SCOPE OF THE STUDY

1. Target Area for the Project

The target of this project will be whole the area of the Georgia.

2. Target metals

Copper, manganese, lead, zinc, arsenic, gold and silver.

3. Relevant mining enterprises

Madneuli, Chiatura, and Uravi.

4. Administration organization - Steering Committee

Ministry of Economy, Industry and Trade, Ministry of Environmental Protection and Natural Resources, Ministry of Foreign Affairs, Department of State Geology and Institute of Mining Mechanics, Academy of Science of Georgia.

5. Study items.

In order to achieve the above objective, the Study will cover the following items;

(1) Basic fields

5.1.1 Clarify the position of mining industry in the macro-economy of the Georgia and review mining policy

5.1.2 Make clear the privatization of relevant mining enterprises

5.1.3 Revising role, right and management of relevant mining organizations, and functions of the administration organization

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- 5.1.4 Analyzing present legal factors which hinder the promotion of mining sector and inducing foreign investment
- 5.1.5 Evaluation study on the deposits, analysis for strategy of exploration and plan
- 5.1.6 Method for introducing foreign investment to exploration development and mining sector
- 5.1.7 Selecting environmental problems and countermeasures for environmental protection.
- 5.1.8 Investigation and analysis of management of mine and enterprises, and get advice on Western management methods
- 5.1.9 Introduction of management system for mineral resources data and technical transfer.

(2) Production fields

- 5.2.1 Promotion plans for ore deposit development (target; important area for exploration and exploitation).
- 5.2.2 Introduction of Geological database.
- 5.2.3 Exploration implementation system arrangement (both roles, government and private sector in exploration activity)
- 5.2.4 Promotion of foreign investment and privatization (improvement of legislation which hinder private sectors' mining activities; exploration, exploitation, production)
- 5.2.5 Countermeasures for recovery of productivity for mining sector
- 5.2.6 Suitable legislation system; law on entrails - the law on foreign investment - tax code (recommendation and hands-on advises).
- 5.2.7 Suitable method for effective mining administration, simple and uniform mining structure.
- 5.2.8 Suitable method for comprehensive environmental preservation system.

IV. STUDY SCHEDULE

The Study will be carried out in accordance with the attached Tentative Work Schedule shown in Appendix I.

V. REPORTS

JICA shall prepare and submit the following reports with floppy discs to the Government of Georgia

- (1) Inception Report (20 Copies) in English
- (2) Progress Report (20 Copies) in English
- (3) Interim Report (20 Copies) in English
- (4) Draft Final Report (20 Copies) in English and Russian summary
- (5) Final Report (20 Copies) in English and Russian summary

The government of Georgia will provide its comment on the draft final report within one month after the submission of the draft final report.

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VI. UNDERTAKINGS OF THE GOVERNMENT OF GEORGIA

1. To facilitate smooth conduct of the Study, the government of Georgia shall take necessary measures:

- (1) to secure the safety of the Japanese study team,
- (2) to permit the members of the Japanese study team to enter, leave and sojourn in Georgia for the duration of their assignment therein, and exempt them from foreign registration requirements and consular fees,
- (3) to exempt the members of the Japanese study team from taxes, duties and other charges on equipment, machinery and other materials brought into Georgia for the conduct of the Study,
- (4) to exempt the members of the Japanese Study team from income tax and charges of any kind imposed on or in connection with any emoluments or allowances paid to the members of the Japanese study team for their services in connection with the conduct of the Study,
- (5) to provide the necessary facilities to the Japanese study team for unrestricted re-export of equipment and machinery brought into Georgia for the conduct of the Study,
- (6) to provide necessary facilities to the Japanese study team for remittance as well as utilization of the funds introduced into Georgia from Japan in connection with the conduct of the Study,
- (7) to secure permission for entry into private properties or restricted areas for the conduct of the Study,
- (8) to secure permission for the Japanese study team to take all data, documents (including photographs) and specimens related to the Study out of Georgia to Japan,
- (9) to provide medical services as needed, its expenses will be chargeable to members of the Japanese study team,
- (10) to secure permission to use walkie-talkies and other wireless telecommunications for execution of the field Study.

2. The Government of Georgia shall bear claims, if any arise, against the members of the Japanese study team resulting from, occurring in the course of, or otherwise connected with, the discharge of their duties in the conduct of the Study, except when such claims arise from gross negligence or willful misconduct on the part of the members of the Japanese study team.

3. The Ministry of Economy, Industry and Trade shall act as counterpart agency to the Japanese study team and also as coordinating body in relation with other governmental and non-governmental organizations concerned for the smooth conduct of the Study.

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4. The Ministry of Economy, Industry and Trade shall, at its own expense, provide the Japanese study team with the following, in cooperation with other organizations concerned:

- (1) available data and information related to the Study,
- (2) counterpart personnel including one geologist to work for the Study under the management of the Ministry of Economy, Industry and Trade counterpart personnel.
- (3) suitable office space with necessary equipment in Tbilisi and Madneuli.
- (4) credentials or identification cards.

VII. UNDERTAKINGS OF JICA

For the conduct of the Study, JICA shall take the following measures:

- (1) to dispatch, at its own expense, the Japanese study teams to Georgia,
- (2) to pursue technology transfer to Georgian counterpart personnel in the course of the Study.

VIII. OTHERS





JICA and Ministry of Economy, Industry and Trade shall consult with each other in respect of any matter that may arise from or in connection with the Study.

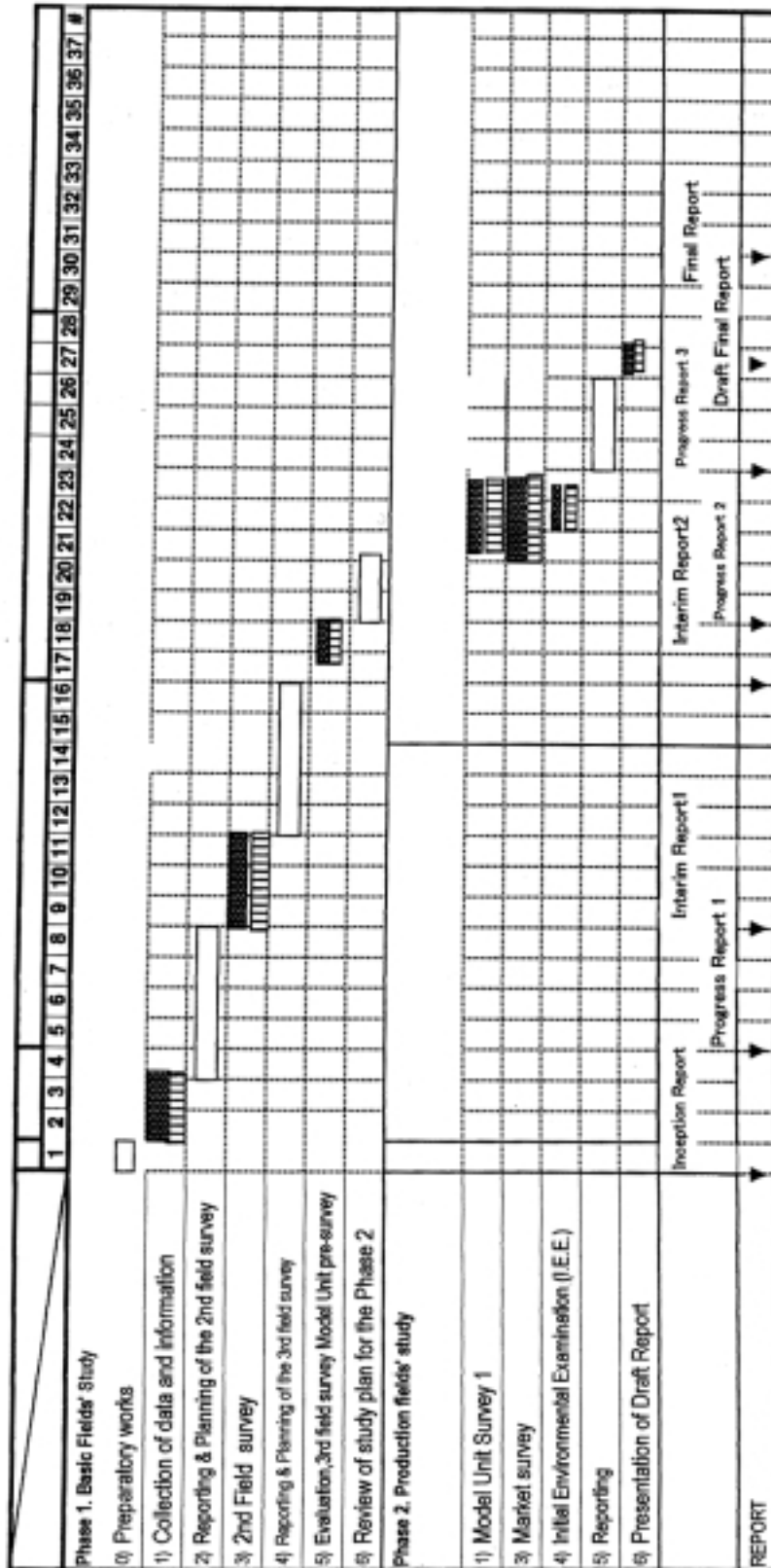
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APPENDIX I

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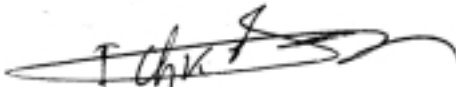
 : by JICA in Georgia
 : by Ministry of Economy, Industry and Trade etc.
 : by JICA in Japan
 : Report



MINUTE OF MEETING
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Ivane Chkhartishvili
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Kazuo Tanigawa
Leader,
The Preliminary Study Team
Japan International
Cooperation Agency

The Preliminary Study Team dispatched by the Japan International Cooperation Agency (hereinafter referred to as "the JICA Study Team") had a series of discussions for the Master Plan Study on Promotion of Mining Industry in the Georgia (hereinafter referred to as "the Study") in Tbilisi with the officials of the Ministry of Economy, Industry and Trade, the Ministry of Environment Protection and Natural Resources, the Ministry of Foreign Affairs, the State Geological Department and other relevant officials of the Government of Georgia from 18th to 26th July 2000.

Discussions were conducted in a friendly and cordial atmosphere. In addition to the S/W, both sides have agreed to record the following points as summarized conclusions of the discussions.

1. The Details of Technical Items of the Production Fields Study.

1.1 Exploration

Geological exploration data: topographical map - concession map - geological structure figure - geological map - deposit distribution map - exploration data
Potential: ore deposit evaluation method - standard for ore reserve calculation - table for ore reserves

Exploration method: remote sensing - geo-chemical survey - geo-physical survey - drilling - equipment and facilities for underground investigation such as drift

Exploration implementation system: structure - personnel - budget

Hindering factors against promotion of exploration and exploitation: legal standard - license approval, present situation of ore deposit exploration with foreign investment

1.2 Mining

Re-evaluation of existing feasibility study: Ore reserves - development technology - engineering - infrastructure

Hindering factors against exploitation: natural conditions such as climate, geographical features - regulations for exploitation - tax system, etc.,

Infrastructure development plan: energy - water supply - transportation

Mining technology: open pit, underground mining technology - complex ore processing technology

Ore processing technology: processing plant upgrade, recovery improvement, optimisation, mineral recovery from tailings

Financial source for exploitation: Situation of foreign investment participation

1.3 Production

Industrial structure: the number of enterprises - cooperative relationship enterprises - market structure and transactions between enterprises - enterprise subsidiaries and subcontractors - competition with foreign products - relationship with local economy - group structure of enterprises - enterprise activity

Sales products: Main products - sales price, sales distribution channel

Production amount: Existing data and forecast

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Productivity: Production facilities investment and forecast
Facility: Facility utilization and its evaluation
Raw material procurement: Procurement source of raw materials and issues
Quality control: Quality control procedure and quality standards
Production costs: Cost composition
The sale market composition at the moment of project submission
Personnel: Labour force composition - unemployment situation - training system
Infrastructure: energy - transportation - telecommunications
Privatization: Privatization process - enterprise management ability
Financial source condition: Guarantee - security and insurance
Introduction of new technology: Present situation on foreign investment induction
Relevant government organization: Role of governmental organizations - industrial support policy
1.4 Environment
Present situation of environmental problems
Environment protecting process - facilities
Treatment process of mining waste - facilities
Management of waste dump, Environmental control system

2. Provisional idea of the Member of the Master Plan Study Team

To execute the survey efficiently and effectively, the Japanese survey team would be formulated according to the official procedure in Japan. The provisional idea is presented here but just as an indication of the concepts.

- 2.1 A team leader (Market research, human resources development etc.)
- 2.2 Exploration specialists including boring specialists, Computer specialists
- 2.3 Mining specialists
- 2.4 Metallurgy specialist and Ore processing specialist
- 2.5 Economists and/or financial analysts
- 2.6 Environment analysts
- 2.7 Quality control specialists and/or Business administration specialists

3. The role of Steering Committee

To implement the survey harmoniously, the Georgian government has established the Steering Committee as attached. Their main roles are as follows:

- 3.1 To monitor and control the activities of the Working Group and Security Council,
 - 3.2 To instruct the Working Group upon the request of the Team.
- The member of the Working Group would be appointed by the Steering Committee. The Japanese team is not in a position to pay their ordinary cost of the work.

4. The role of Working Group

- 4.1 Counter part of the technical transfer

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The Working Group is act as a main counter part of the technical transfer of the Study. Under the initiative of the Ministry of Economy, Industry and Trade, each member will work for the survey harmoniously.

5. The role of Security Group

To protect the Japanese Team from the potential danger, the Georgian government has established the Security Group.

5.1 General information support

The Group will provide any information about the security condition of the survey area for the Team.

5.2 Security services during the survey.

Upon the requests of the Team, the council will provide the security officials during the move of the Team outside of Tbilisi.

5.3 Measures at an emergency

Immediate and proper measures should be taken in case of emergency.

6. A restriction of the field survey of the Japanese specialists.

The target of this project will be the whole area of the Georgia, but the site survey by the Japanese specialists is confined to the Tbilisi city, Madneuli mines and their surroundings. However, the Georgian side strictly requested to include both Chiatura and Uravi as a site survey.

7. The Georgian side requested to except force majeure case from their responsibility, which is stated in the item VII, 2.

8. Reply to the Questionnaire

The Working Group will provide all the necessary information for the Japanese specialists by the end of August 2000 via mail, facsimile and/or E-mail to JICA, Tokyo office.

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