
LOAN NUMBER 9099-GE

Loan Agreement

**Additional Financing for
Second Regional and Municipal Infrastructure Development Project**

between

GEORGIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between GEORGIA (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing additional financing for activities related to the Original Project. The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower the amount of thirty-seven million one hundred thousand Euro (€37,100,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest rate is the Reference Rate plus the Fixed Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.06. The Borrower elects to apply the Automatic Rate Fixing Conversion to the Loan. Accordingly, without limitation upon the provisions of Article IV of the General Conditions and unless otherwise notified by the Borrower to the Bank in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to consecutive withdrawals from the Loan Account which in the aggregate equal or exceed five million three hundred thousand Euro (€5,300,000) shall be converted from the initial Variable Rate to a Fixed Rate for the full maturity of such amount in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

- 2.07. The Payment Dates are May 15 and November 15 in each year.
- 2.08. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project, and cause the Project to be carried out by the Project Implementing Entity, in accordance with the provisions of Article V of the General Conditions, Schedule 2 to this Agreement, and the Project Agreement.

ARTICLE IV —SUSPENSION AND ACCELERATION

- 4.01. The Additional Event of Suspension consists of the following, namely that the Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed, or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in paragraph 4.01 occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Subsidiary Agreement has been executed on behalf of the Borrower and the Project Implementing Entity.
- 5.02. The Effectiveness Deadline is the date one hundred and twenty (120) days after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is the Minister of Finance.
- 6.02. For purposes of Section 10.01 of the General Conditions: (a) the Borrower's address is:

Ministry of Finance
16 Gorgasali Street
0114 Tbilisi
Georgia; and

(b) the Borrower's Electronic Address is:

Email: publicdebt@mof.ge

- 6.03. For purposes of Section 10.01 of the General Conditions: (a) the Bank's address is:

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

(b) the Bank's Electronic Address is:

Telex:	Facsimile:	E-mail:
248423(MCI) or 64145(MCI)	1-202-477-6391	smolineus@worldbank.org

AGREED as of the Signature Date.

GEORGIA

By

Ivane Matchavariani

Authorized Representative

Name: Ivane Matchavariani

Title: Minister of Finance

Date: 21-May-2020

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By

Sebastian-A Molineus

Authorized Representative

Name: Sebastian-A Molineus

Title: Country Director for the South Caucasus

Date: 21-May-2020

SCHEDULE 1

Project Description

The objective of the Project is to improve access to quality municipal services and infrastructure.

The Project consists of Part A of the Original Project as modified below and additional Part B:

Part A: Infrastructure Investment

1. Provision of financing on a grant basis, to carry out Investment Subprojects for selected municipal services and infrastructure projects.
2. Preparation of feasibility studies, engineering designs, construction supervision, monitoring and evaluation activities for Investment Subprojects.

Part B: Contingent Emergency Response

Provision of immediate response to an Eligible Crisis or Emergency, as needed.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall cause the Project Implementing Entity to carry out the Project in accordance with the Operations Manual acceptable to the Bank. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, or waive any provision of the said manual without the prior written approval of the Bank.
2. The Borrower shall maintain the Project Implementing Entity with adequate staff and resources throughout the Project implementation and supervision period.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity, on a non-refundable basis, under a subsidiary agreement between the Borrower represented by the Ministry of Finance and the Ministry for Regional Development and Infrastructure and the Project Implementing Entity, under terms and conditions approved by the Bank (“Subsidiary Agreement”).
2. The Borrower shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Safeguards

1. The Borrower shall cause the Project Implementing Entity to carry out the Environmental and Social Reviews (ESR) and/or develop the Environmental and Social Management Plans (ESMP) in a timely manner for all Investment Subprojects requiring such reviews and/or planning and shall provide and maintain adequate information on the carrying out and implementing of such ESR and/or ESMP as part of the supervision responsibilities referred to in paragraph A.1 of this Section and in accordance with the Environmental and Social Framework (ESMF). For Investment Subprojects determined to be eligible for financing under the Project, completion of environmental and social screening and preparation and disclosure of, and stakeholder consultation on the ESMP/ESR satisfactory to the Bank shall be required prior to commencement of any works. The Project

Implementing Entity shall furnish to the Bank an Investment Subproject Appraisal Report (SAR), in form satisfactory to the Bank, which includes information about the environmental category assigned to the proposed Investment Subproject as per the environmental and social screening and confirmation that all relevant requirements for carrying out of the ESR and/or ESMP and Resettlement Action Plan (RAP), if applicable, have been met.

2. The Borrower shall cause the Project Implementing Entity to maintain, throughout the Project implementation, an easily accessible Grievance Redress Mechanism (GRM), acceptable to the Bank, to address feedback and grievances relating to the Project as set forth in the Operations Manual.
3. The Borrower shall ensure, and cause the Project Implementing Entity to ensure that the Project is carried out with due regard to appropriate health, safety, social, and environmental standards and practices, and in accordance with the Safeguard Instruments.
4. The Borrower shall, and cause the Project Implementing Entity to take all measures to implement the Resettlement Policy Framework in a manner and timeframe satisfactory to the Bank. To this end, the Borrower shall ensure that:
 - (a) sufficient funds are made available to cover all the costs of implementing the Resettlement Policy Framework, and site-specific Resettlement Action Plans.
 - (b) prior to carrying out activities which involve displacement, Affected Persons shall be compensated at full replacement cost, resettled and provided with assistance in accordance with the Resettlement Action Plan, as applicable; and
 - (c) the implementation, monitoring and evaluation of such Resettlement Action Plan is completed and reported in a manner satisfactory to the Bank.
5. The Borrower shall cause the Project Implementing Entity to ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors and subcontractors to: (a) comply with the relevant aspects and requirements of Safeguard Instruments; and other related documents; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures on health and safety; all as applicable to such civil works commissioned or carried out pursuant to said contracts.
6. Except as the Bank shall otherwise agree, the Borrower shall ensure, and cause the Project Implementing Entity to ensure, that none of the provisions of the Safeguard Instruments is abrogated, amended, repealed, suspended or waived. In case of any

inconsistencies between the provisions of any of the Safeguard Instruments and the provisions of this Agreement, the provisions of this Agreement shall prevail.

D. Contingent Emergency Response

1. In order to ensure the proper implementation of the contingency response activities under Part B of the Project (“Emergency Response Part”), the Borrower shall:
 - (a) prepare and furnish to the Bank for its review and approval, a Contingency Emergency Response manual (“CER Manual”) which shall set forth detailed implementation arrangements for the Emergency Response Part including: (i) any additional institutional structures or arrangements for coordinating and implementing the Emergency Response Part; (ii) specific activities which may be included in the Emergency Response Part, Eligible Expenditures required therefor (“Emergency Expenditures”), and any procedures for such inclusion; (iii) financial management arrangements for the Emergency Response Part; (iv) procurement methods and procedures for the Emergency Response Part; (v) documentation required for withdrawals of Emergency Expenditures; (vi) safeguards arrangements and instruments applicable to the Emergency Response Part consistent with the provisions of Section D of this Schedule; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the Emergency Response Part;
 - (b) afford the Bank a reasonable opportunity to review the CER Manual;
 - (c) promptly adopt the CER Manual for the Emergency Response Part as accepted by the Bank and integrate it as an annex to the Operations Manual;
 - (d) ensure that the Emergency Response Part is carried out in accordance with the CER Manual; provided, however, that in any event of any inconsistency between the provisions of the CER Manual and this Agreement, the provisions of this Agreement shall prevail; and,
 - (e) not amend, suspend, abrogate, repeal or waive any provisions of the CER Manual without prior written approval by the Bank.
2. The Borrower shall, throughout the implementation of the Emergency Response Part, maintain the institutional structures and arrangements established in accordance with the CER Manual, with adequate staff and resources acceptable to the Bank.
3. The Borrower shall undertake no activities under the Emergency Response Part unless and until the following conditions have been met in respect of said activities:

- (a) the Borrower has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Bank a request to include said activities in the Emergency Response Part in order to respond to said Eligible Crisis or Emergency, and the Bank has agreed with such determination, accepted said request and notified the Borrower thereof; and
- (b) the Borrower has ensured the preparation and disclosure of all Safeguard Instruments as may be required for said activities in accordance with the CER Manual, the Bank has approved all said Instruments, and the Borrower has ensured the implementation of any actions which are required to be taken under said instruments.

Section II. Project Monitoring Reporting and Evaluation

The Borrower through the Project Implementing Entity shall furnish to the Bank each Project Report not later than 45 days after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of Loan Proceeds

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to: (a) finance Eligible Expenditures; (b) pay: (i) the Front-end Fee; and (ii) each Interest Rate Cap or Interest Rate Collar premium; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Loan Allocated (expressed in EURO)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, works, non-consulting services and consulting services, Incremental Operating Costs, and Training for Part A of the Project	37,007,250	85%
(2) Front-end Fee	92,750	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(3) Interest Rate Cap or Interest Rate Collar premium	-	Amount due pursuant to Section 4.05 (c) of the General Conditions
(4) Emergency Expenditures under Part B of the Project	-	100%
TOTAL AMOUNT	37,100,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
 - (a) for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed €6,800,000 may be made for payments made prior to this date but on or after April 10, 2020 for Eligible Expenditures under Category 1; or
 - (b) for Emergency Expenditures under Category (4), unless and until the Bank is satisfied, and notified the Borrower of its satisfaction, that all of the following conditions have been met in respect of said expenditures:

- (i) the Borrower has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Bank a request to include the proposed activities in the Emergency Response Part in order to respond to said crisis or emergency, and the Bank has agreed with such determination, accepted said request and notified the Borrower thereof;
- (ii) the Borrower has ensured that all Safeguard Instruments required for said activities have been prepared and disclosed, and the Borrower has ensured that any actions which are required to be taken under said instruments have been implemented, all in accordance with the provisions of Section I.C of this Schedule;
- (iii) the entities in charge of coordinating and implementing the Emergency Response Part have adequate staff and resources, in accordance with the provisions of Section I.A of this Schedule, for the purposes of said activities; and
- (iv) the Borrower has adopted the CER Manual, in form and substance acceptable to the Bank, and the provisions of the CER Manual remain—or have been updated in accordance with the provisions of Section I.D of this Schedule so as to be—appropriate for the inclusion and implementation of the Emergency Response Part.

2. The Closing Date is August 30, 2024.

SCHEDULE 3

Commitment-Linked Amortization Repayment Schedule

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”).

Level Principal Repayments

Principal Payment Date	Installment Share
On each May 15 and November 15 Beginning November 15, 2034 through November 15, 2044	4.55%
On May 15, 2045	4.45%

APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
2. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
3. “Contingent Emergency Response Manual” and the acronym “CER Manual” means the manual referred to in Section I. D. 1.(a) of Schedule 2 to this Agreement, to be adopted by the Borrower for the Emergency Response Part and form part of the Operations Manual in accordance with the provisions of said Section.
4. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Borrower, associated with a natural or man-made crisis or disaster.
5. “Emergency Expenditure” means any of the eligible expenditures set forth in the Emergency Response Manual in accordance with the provisions of Section I.D.1.(a) of Schedule 2 to this Agreement and required for the Emergency Response Part.
6. “Emergency Response Part” means a specific activity or activities to be carried out in the event of an Eligible Crisis or Emergency under Part B of the Project.
7. “Environmental and Social Management Framework” or “ESMF” means the Environmental and Social Management Framework prepared and adopted by the Borrower, satisfactory to the Bank, dated April 3, 2020, disclosed in-country, and the Bank’s website on April 3, 2020, setting out the principles, rules, guidelines and procedures to screen and assess the potential adverse environmental and social risks and impacts (including health and safety issues) of Project activities, adopt measures to avoid, reduce, mitigate or offset environmental and social adverse risks and impacts, procedural, budget and institutional arrangements and actions needed to implement these measures, and information on the agency or agencies responsible for addressing the Projects’ risks and impacts; as well as for the preparation of environmental and social management plans, as such framework may be amended by the Borrower from time to time, with the prior written agreement of the Bank.

8. “Environmental and Social Management Plan” or “ESMP” means a document developed for an Investment Subproject (as hereinafter defined), which details the measures to be taken during its implementation and operation to eliminate or offset adverse environmental and social impacts, or to reduce them to acceptable levels, as well as the actions needed to implement these measures.
9. “Environmental and Social Review” or “ESR” means a study carried out for the selected Investment Subprojects to identify and assess their potential environmental impacts, evaluate alternatives, and design appropriate mitigation, management, and monitoring measures.
10. “Environmental and Social Screening” means a mandatory review of all proposed Investment Subprojects undertaken with the purpose of categorizing them by expected environmental risks and impacts, filtering out proposals grossly detrimental for the environment, identifying a need for preparing a Resettlement Action Plan, and determining appropriate extent and type of Environmental and Social Assessment to be applied to the Investment Subprojects accepted for further processing.
11. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated December 14, 2018.
12. “Incremental Operating Costs” means reasonable and necessary incremental expenses incurred by the Project Implementing Entity with respect to Project implementation, management and monitoring, including the costs of support staff salaries (excluding salaries of the Borrower’s civil service staff), communication including costs related to public relations, editing, printing and publication, translation, vehicle operation and maintenance, bank charges, local travel costs and field trip expenses, minor office equipment, office rentals, utilities and supplies, based on a semi-annual budget agreed with the Bank.
13. “Investment Financing Agreement” means an agreement entered into between a Participating LSG and the Project Implementing Entity for the purposes of the Project, in accordance with the provisions of the Operations Manual.
14. “Investment Subproject” means an eligible subproject to be carried out for the benefit of a Participating LSG (as hereinafter defined), utilizing the proceeds of Investment Subproject Financing (as hereinafter defined).
15. “Investment Subproject Financing” means a financing made or proposed to be made out of the proceeds of the Loan by the Project Implementing Entity (as hereinafter defined), for an Investment Subproject.

16. “Operations Manual” means the manual prepared by the Project Implementing Entity (as hereinafter defined) dated March 31, 2014, and updated on April 15, 2020: (a) specifying the managerial, financial, administrative, engineering, environmental and social policies and procedures of the Project Implementing Entity (as hereinafter defined) for the execution of the Project and the eligibility criteria for selection of Investment Subproject(s) and Participating LSG(s) (as hereinafter defined); and (b) including the “Environmental and Social Management Framework” (ESMF) which provides the requirements and procedures for the carrying out of the environmental and social screening, preparation of Environmental and Social Review (ESR) and/or Environmental and Social Management Plans (ESMP) for the respective selected Investment Subproject under the Project, as such Operations Manual may be amended from time to time with the agreement of the Bank.
17. “Original Loan Agreement” means the loan agreement for the Second Regional and Municipal Infrastructure Development Project between the Borrower and the Bank, dated August 18, 2014.
18. “Original Project” means the Project described in Schedule 1 of the Original Loan Agreement.
19. “Participating LSG” mean the Local Self Government established and operating under Organic Law (Local Self-Government Code) No. 1958-II-b of February 5, 2014, on Local Self-Government, which have been selected for the carrying out of Investment Subproject(s) under Part A of the Project in accordance with the eligibility criteria set forth in the Operations Manual.
20. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017 and August 2018.
21. “Project Agreement” means the agreement between the Bank and the Project Implementing Entity relating to the implementation of all or part of the Project, as such agreement may be amended from time to time.
22. “Project Implementing Entity” means the Municipal Development Fund established pursuant to Decree Number 558 of the Government of Georgia, dated October 30, 2015, as amended to date.
23. “Project Implementing Entity’s Legislation” means the Charter of the Municipal Development Fund established pursuant to Decree Number 558 of the Government of Georgia, dated October 30, 2015 as amended to date.
24. “Resettlement Action Plan” or “RAP” means a resettlement action plan for a site-specific resettlement; to be prepared and implemented in a manner fully consistent

with the Resettlement Policy Framework, and “Resettlement Action Plans” means said Plans, collectively.

25. “Resettlement Policy Framework” or “RPF” means the resettlement policy framework, satisfactory to the Bank, dated March 24, 2014 and updated on April 3, 2020, prepared by the Project Implementing Entity and setting forth, *inter alia*: (i) the description of areas covered by the Project; (ii) the legal basis and screening process for land acquisition, resettlement and land use in connection with works and construction activities to be carried out under the Project; (iii) the resettlement principles and entitlements of Project affected people based on different categories of impact; (iv) the procedures for valuation, compensation and other assistance provided to the affected people, including the grievance process; and (v) the responsibilities, procedures and requirements for the development and implementation of site specific Resettlement Action Plans.
26. “Safeguard Instruments” mean collectively, the ESMF, ESRs, ESMPs, RPF, and RAP(s), and “Safeguard Instrument” means any of such Safeguard Instruments.
27. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.
28. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity.
29. “Training” means expenditures incurred by the Project Implementing Entity in connection with carrying out training activities under Part B of the Project, including travel costs and per diem for local trainees, study tours, workshops, conferences, and non-degree fellowships, rental of facilities and equipment and training materials and related supplies based on a semi-annual budget agreed with the Bank.