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LOAN NUMBER IBRD-9497-GE

# Loan Agreement

(First Green and Resilient Georgia Development Policy Operation)

between

GEORGIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

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## **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 financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, inter alia, of: (i) the actions which the Borrower has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (ii) the Borrower’s maintenance of an adequate macroeconomic policy framework. The Borrower and the Bank therefore 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 forty-six million and two hundred thousand Euros (EUR 46,200,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”).
- 2.02. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.03. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.04. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.05. The Payment Dates are March 15 and September 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with Schedule 2 to this Agreement.
- 2.07. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

**ARTICLE III — PROGRAM**

- 3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
- (a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower's macroeconomic policy framework and the progress achieved in carrying out the Program;
  - (b) prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and
  - (c) without limitation upon paragraph (a) and (b) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

**ARTICLE IV — REMEDIES OF THE BANK**

- 4.01. The Additional Event of Suspension consists of the following, namely that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Condition of Effectiveness consists of the following, namely that the Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Borrower's macroeconomic policy framework.
- 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:

E-mail: [publicdebt@mof.ge](mailto: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; and

(b) the Bank's Electronic Address is:

Telex:

Facsimile:

E-mail:

248423(MCI) or  
64145(MCI)

1-202-477-6391

[smolineus@worldbank.org](mailto:smolineus@worldbank.org)

AGREED as of the Signature Date.

**GEORGIA**

**By**



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**Authorized Representative**

**Name:** Lasha Khutsishvili

**Title:** Minister

**Date:** 31-Mar-2023

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

**By**



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**Authorized Representative**

**Name:** Sebastian-A Molineus

**Title:** Country Director, South Caucasus

**Date:** 31-Mar-2023

## **SCHEDULE 1**

### **Program Actions; Availability of Loan Proceeds**

#### **Section I. Actions under the Program**

The actions taken by the Borrower under the Program include the following:

1. The Government has submitted to Parliament a draft law on industrial emissions to monitor, prevent, and reduce emissions, that is fully aligned with EU Directive on Industrial Emissions.
2. The Government has adopted Decree #88, dated February 25, 2022, and Decree #431, dated August 22, 2022, introducing climate change tagging and implementing gender tagging into the 2023 budget process.
3. NBG has adopted Order 93/04 dated August 3, 2022, requiring commercial banks to classify and report loans according to the Sustainable Finance Taxonomy, to develop a uniform standard for commercial banks for green and social loans.
4. The Government has adopted Decree #556 on Capacity Auction Rules dated December 7, 2022, approving a support scheme to further develop renewable energy, by introducing contracts-for-difference for renewable energy sources generation and establishing processes for auctioning of contracts-for-difference to private sector projects.
5. The Government has adopted Decree #231 dated May 2, 2022, approving a regulation on criteria and indicators for sustainable forest management, to strengthen the reporting, monitoring, and protection of Georgia's forest resources, in support of the implementation of the Forest Code of Georgia.
6. The Government has enacted amendments to the Budget Code of Georgia, through adoption of the law of Georgia 2384-IX06-X03, dated December 15, 2022, mandating the application of the Budget Code of Georgia to all government and municipality-owned state-owned enterprises to adhere to MOF's budgetary oversight to reduce fiscal risks, and, among other requirements, mandating such enterprises to: (i) draft annual budget preparation and execution documents; and (ii) transition into the single treasury account starting January 1, 2026.
7. The Government has adopted Decree #1012 dated June 10, 2022, which empowers the MOF's Fiscal Risk Management Department with financial oversight responsibilities over seven key state-owned enterprises, including by becoming the approver of the statement of corporate intent as well as contractual and investment decisions of these state-owned enterprises.

8. The Government has submitted to Parliament a draft law on National Spatial Data Infrastructure to ensure consistency between data produced by public and private stakeholders, lower redundancy in geospatial data creation and costs, and improve access to and use of geospatial data by public and private actors, as well as individuals.
9. The Government has submitted to Parliament a draft amendment to the Law of Georgia on Water User Organizations, mandating GNERC to set all service tariffs for all clients of Georgian Amelioration, in order to ensure efficient water consumption, improve service delivery, facilitate investments, and ensure the financial sustainability of Georgian Amelioration.
10. The Government has enacted amendments to the Law of Georgia on Payment Systems and Payment Services through the adoption of the law of Georgia 1800-IX06-X03, dated September 9, 2022, to align the legal framework for payment services in Georgia with EU Payment Systems Directive 2, including by removing restrictions on use of electronic money in electronic money accounts, ensuring non-discriminatory access to the payment systems, and enabling payment initiation services and account information access services.

**Section II. Availability of Loan Proceeds**

- A. General.** The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.
- B. Allocation of Loan Amounts.** The Loan is allocated in: (a) a single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds; and (b) the amounts requested by the Borrower to pay: (i) the Front-end Fee; (ii) each Interest Rate Cap or Interest Rate Collar premium. The allocation of the amounts of the Loan to this end is set out in the table below:

<b>Allocations</b>	<b>Amount of the Loan Tranche Allocated (expressed in EUR)</b>
(1) Single Withdrawal Tranche	46,084,500
(2) Front-end Fee	115,500
(3) Amount due pursuant to Section 4.05 (c) of the General Conditions	0
<b>TOTAL AMOUNT</b>	<b>46,200,000</b>

**C. Withdrawal Tranche Release Conditions.**

1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied: (a) with the Program being carried out by the Borrower; and (b) with the adequacy of the Borrower's macroeconomic policy framework.

**D. Closing Date.** The Closing Date is March 31, 2024.



**SCHEDULE 2**

**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**

<b>Principal Payment Date</b>	<b>Installment Share</b>
On each March 15 and September 15 Beginning September 15, 2028 through March 15, 2041	3.70%
On September 15, 2041	3.80%

## APPENDIX

### Definitions

1. “Budget Code of Georgia” means the Law of Georgia No. 2440 adopted by Parliament on December 18, 2009, and any amendments thereafter.
2. “Capacity Auction Rules” mean the rules adopted through Decree #556, dated December 7, 2022, as amended on February 7, 2023, on approval of the support schemes for the production and use of energy from renewable sources and the capacity auction rules, as such rules may be amended from time to time.
3. “EU” means the European Union.
4. “EU Directive on Industrial Emissions” mean the directive 2010/75/EU of the European Parliament and of the European Council dated November 24, 2010, on industrial emissions (integrated pollution prevention and control).
5. “EU Payment Systems Directive 2” means the directive 2015/2366 of the European Parliament and of the European Council dated November 25, 2015, on payment systems.
6. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020, December 21, 2020, April 1, 2021, and January 1, 2022).
7. “Georgian Amelioration” or “GA” means the Borrower’s limited liability company with a mandate to provide irrigation and drainage services in the country registered on February 26, 2007, or any successor thereto.
8. “GNERC” means the Borrower’s legal entity of public law with a mandate to regulate energy and water supply sectors, acting within the scope of the Law of Georgia on Energy and Water Supply dated December 20, 2019, or any successor thereto.
9. “Fiscal Risk Management Department” means the department in charge of the assessment and monitoring of contingent liabilities and associated risks within the Borrower’s MOF, established by Order No. 106 of Minister of Finance, on Approving Charter of Structural Sub-divisions of the Ministry of Finance of Georgia, dated March 31, 2017, or any successor thereto.
10. “Forest Code of Georgia” means the Law of Georgia No. 5949-lls adopted by Parliament on May 22, 2020, and any amendments thereafter.

11. “Law of Georgia on Payment Systems and Payment Services” means the Law of Georgia No. 6304-1b adopted by Parliament on May 25, 2012, and any amendments thereafter.
12. “Law of Georgia on Water Users Organizations” means the Law of Georgia No. 5609-6b adopted by Parliament on December 19, 2019, and any amendments thereafter.
13. “Ministry of Environmental Protection and Agriculture” or “MEPA” means Borrower’s ministry of environmental protection and agriculture, or any successor thereto.
14. “Ministry of Finance” or “MOF” means the Borrower’s ministry of finance, or any successor thereto.
15. “National Bank of Georgia” or “NBG” means the National Bank of Georgia established through Organic Law of Georgia on The National Bank of Georgia on August 2, 1991, or its successor thereto.
16. “National Spatial Data Infrastructure” means the information network analysis system to be established by the Government of Georgia for the purpose of establishing a standard unified geoinformation system for the production, sharing, use, and accessibility of spatial data.
17. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated February 22, 2023 from the Borrower to the Bank declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
18. “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.
19. “Single Withdrawal Tranche” means the amount of the Loan allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
20. “Sustainable Finance Taxonomy” means the taxonomy for or identifying activities that deliver on key climate, green, social, or sustainability adopted by NBG, pursuant to Order № 93/04 dated August 3, 2022.