Loan Agreement

(Third Regional Development Project)

between

GEORGIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated August 7, 2015
LOAN NUMBER 8494-GE

LOAN AGREEMENT

Agreement dated , 2015, between GEORGIA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). 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) constitute an integral 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, on the terms and conditions set forth or referred to in this Agreement, the amount of sixty million Dollars (US$60,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement ("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 IV of Schedule 2 to this Agreement.

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.

2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.06. The Payment Dates are June 15 and December 15 in each year.
2.07 The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III — PROJECT

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

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.
ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists namely of the following, 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 namely of the following, that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of ninety (90) days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) The Subsidiary Agreement has been executed by the Ministry of Finance and the Ministry for Regional Development and Infrastructure on behalf of the Borrower and the Project Implementing Entity.

(b) The Project Implementing Entity has adopted the Operation Manual, in form and substance, satisfactory to the Bank.

5.02. The Additional Legal Matter consists of namely of the following, that the Subsidiary Agreement has been duly authorized or ratified by the Borrower and the Project Implementing Entity and is legally binding upon the Borrower and the Project Implementing Entity in accordance with its terms.

5.03. The Effectiveness Deadline is the date one hundred and twenty (120) days after the date of this Agreement.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is its Minister of Finance.

6.02. The Borrower's Address is:

Ministry of Finance
16 Gorgasali Street
0114 Tbilisi
Georgia

Facsimile:

995-32-2262423

6.03. The Bank's Address is:

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

Cable address: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391
AGREED at Tbilisi, Georgia, as of the day and year first above written.

GEORGIA

By

Authorized Representative

Name: NOJAR KHATIURISHVILI
Title: MINISTER

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: JOSEPH MEJIAUZI
Title: Acting Country Manager
SCHEDULE I

Project Description

The objective of the Project is to improve infrastructure services and institutional capacity to support increased contribution of tourism in the local economy of the Samtskhe-Javakheti and Mtskheta-Mtianeti regions.

The Project consists of the following parts:

Part 1  Infrastructure Investment

(a) Provision of Investment Subproject Financing, on a grant basis, to Participating LSGs to finance Investment Subprojects for urban regeneration of old towns and villages in the Samtskhe-Javakheti and Mtskheta-Mtianeti regions including, but not limited to, restoration of building facades and roofs, public spaces, museums, roads and water supply, and enhancement of cultural and natural heritage sites (as well as tourism facilities and access to and presentation of sites).

(b) Provision of Investment Subproject Financing, on a grant basis, to Participating LSGs to finance Investment Subprojects for the creation of public infrastructure to attract private sector investments in tourism or agribusiness in the Samtskhe-Javakheti and Mtskheta-Mtianeti regions including, but not limited to construction of roads, sidewalks, and water, sanitation, communications and public facilities.

Part 2: Institutional Development

Provision of goods, non-consultant services, consultants’ services, and Training, as well as financing of Operating Costs to enhance the institutional capacity and performance of GNTA, NACHP, Georgia National Museum, the Project Implementing Entity, and other concerned local and regional entities to carry out activities including the following:

(a) Setting up of a destination management office in each of the regions of Samtskhe-Javakheti and Mtskheta-Mtianeti to assist in the creation of an institutional framework to ensure proper destination management, public-private-partnership and sustainability of investments made in each region.

(b) Development and implementation of marketing and promotion tools in each of the Samtskhe-Javakheti and Mtskheta-Mtianeti regions to promote each region as a new sustainable tourism destination and to assist in creating a mechanism for community participation, stakeholders’ consultation and involvement of local government in developing tourism in the region.

(c) Preparation of sustainable site management plans for cultural heritage sites financed under the Project as well as provision of on-the-job training to NACHP.
(d) Provision of Training for skilled workforce development and capacity building to selected beneficiaries (including hotel staff, tour operators and guides, and officials at the GNTA, NACHP, Georgia National Museum and the Project Implementing Entity) aimed at producing an integrated workforce development program around the skills needed in tourism-related businesses in the Samtskhe-Javakheti and Mtskheta-Mtianeti regions.

(e) Provision of cultural heritage advisory services to the NACHP aimed at: (i) overseeing the preparation process of Mtskheta World Heritage Site master plan, in compliance with the World Heritage Committee's decisions; (ii) establishing advisory service on the World Heritage Sites Tentative List for Georgia and providing assistance to NACHP in preparing nomination files for inscription; (iii) providing on-the-job capacity building to NACHP and municipalities on cultural heritage preservation and site management plans; and (iv) promoting cultural heritage as a unique tourism product in both the national tourism strategy and the global Silk Road initiative (which initiative is being led by the United Nations World Tourism Organization to revive the historical silk route).

(f) Provision of business start-up/expansion advisory service to tourism and agribusiness medium and small enterprises to enhance their business development capacity, and build credit with local and national financial institutions.

(g) Enhancing capacity for performance monitoring and evaluation activities in the tourism sector in the Samtskhe-Javakheti and Mtskheta-Mtianeti regions (including, designing and conducting seasonal surveys to determine the number and origin of visitors, spending activities, and satisfaction levels, and gathering baseline data from both formal and informal tourism enterprises) and introduce ways to monitor the effectiveness of efforts as well as monitoring the Project's results indicators annually.

(h) Provision of technical assistance to the Project Implementing Entity for outreach and public awareness campaigns, preparation of feasibility studies of potential Investment Subprojects, and design and construction supervision and financing of Operating Costs.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall maintain the Supervisory Board of the Project Implementing Entity, chaired by the Prime Minister of Georgia, with responsibilities including inter alia: (a) overall supervision of the implementation of the Project; (b) inter-agency coordination to achieve the Project objective; and (c) review and approval of the annual work programs' budgets and reports for the operation of the Project Implementing Entity.

2. The Borrower shall cause the Project Implementing Entity to:

(a) prepare, in accordance with terms of reference satisfactory to the Bank, an operation manual (“Operation Manual”) setting out the operational and administrative procedures for Project implementation including: (i) procurement and financial management procedures; (ii) eligibility criteria for the selection of Investment Subprojects in Participating LSGs; (iii) terms and conditions for Investment Subproject Financing; (iv) procurement and implementation of Investment Subprojects; (v) the staffing, management and responsibilities of the Project Implementing Entity; (vi) implementation of the ESMF; (vii) implementation of the RPF; and (viii) establishment and implementation of a grievance redress mechanism;

(b) carry out the Project in accordance with an Operation Manual that has been approved by the Bank; and

(c) furnish to the Bank for its prior approval any proposed amendment to the provisions of the Operation Manual and, thereafter, put into effect such amendment as shall have been agreed with the Bank.

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 grant basis, pursuant to a subsidiary agreement to be signed by the Borrower, through MOF and MRDI, and the Project Implementing Entity, with terms and conditions approved by the Bank (“Subsidiary Agreement”).

2. The Borrower shall exercise its rights and carry out its obligations 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, waive, fail to enforce or terminate the Subsidiary Agreement or any of its provisions.

C. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Safeguards

Environmental Management

1. The Borrower shall cause the Project Implementing Entity to carry out the following:

   (a) (i) Implement the ESMF (including, carrying out Environmental, Social and Cultural Resource Screenings, as well as Environmental and Social Review, as required) and the environmental management plans prepared pursuant thereto, all in a manner satisfactory to the Bank and necessary to ensure that the Project is implemented in accordance with sound environmental practices and standards; and (ii) prior to initiation of the procurement of works concerned, prepare and disclose, and carry out stakeholder consultation on, the environmental management plan satisfactory to the Bank and thereafter, said EMP shall be submitted along with the draft bidding documents for the procurement of said works and form part of the tender documents.

   (b) Provide to the Bank for its prior review any revision proposed to be introduced into any of the ESMF or EMPs, as the case may be, in order to achieve their respective objectives, and thereafter introduce such revision into the documents as shall have been agreed with the Bank.

   (c) Maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of the Environmental and Social Management Framework and EMPs and the achievement of their respective objectives.

   Resettlement

2. The Borrower shall cause the Project Implementing Entity to carry out the following:

   (a) (i) Wherever implementation of the Project, any Investment Subproject, or any part thereof, would give rise to Affected Persons, provide to the Bank for its review, resettlement action plans prepared in accordance with the principles and procedures set forth in the RPF
and, thereafter, implement in a manner satisfactory to the Bank, such resettlement action plans as shall have been accepted by the Bank as being satisfactory; and (ii) works on any specific Project site that give rise to Affected Persons shall not commence until the respective RAP is fully implemented in a manner satisfactory to the Bank.

(b) Provide to the Bank for its prior review, any revision proposed to be introduced into the RPF or RAP, as the case may be, to achieve the respective document's objectives, and thereafter introduce such revision into such document as shall have been agreed with the Bank.

(c) Maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of the RPF and RAPs, and the achievement of their respective objectives.

**Grievance Redress Mechanism**

3. The Borrower shall cause the Project Implementing Entity to establish and implement, throughout the Project implementation, an easily accessible grievance redress mechanism, acceptable to the Bank, to address feedback and grievances relating to the Project as set forth in the Operation Manual.

**International Waterways**

4. The Borrower shall cause the Project Implementing Entity to ensure, when any activity under an Investment Subproject will involve any international waterway (as defined in the Bank’s Operational Policy 7.50), that:

(a) such activity shall be limited to ongoing schemes, projects involving additions or alterations that require rehabilitation, construction, or other changes that: (i) will not adversely change the quality or quantity of water flows to the other riparian; and (ii) will not be adversely affected by the other riparian’s possible water use; and

(b) such activity shall be limited to only minor additions or alterations to the ongoing scheme and it does not cover works and activities that would exceed the original scheme, change its nature, or so alter or expand its scope and extent as to make it appear new or different scheme.
Section II.  Project Monitoring Reporting and Evaluation

A.  Project Reports

The Borrower shall cause the Project Implementing Entity to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators acceptable to the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.

B.  Financial Management, Financial Reports and Audits

1.  The Borrower shall maintain or cause to be maintained, a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2.  The Borrower shall cause the Project Implementing Entity to prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.

3.  The Borrower, through the Project Implementing Entity, shall have the Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III.  Procurement

A.  General

1.  Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2.  Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3.  Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding, subject to the additional provisions set forth in below:</td>
</tr>
<tr>
<td>(i) “Open competitive procedures” (i.e. “public tender”) shall be the default rule. A single envelope procedure shall be used for the submission of goods, works, or non-consulting services.</td>
</tr>
<tr>
<td>(ii) Invitations to bid shall be advertised in at least one widely circulated national daily newspaper allowing a minimum of thirty (30) days for the preparation and submission of bids. Advertisements published in foreign language newspapers shall be in compliance with such a 30-day-minimum in number of days for bids preparation and submission.</td>
</tr>
<tr>
<td>(iii) Bidding shall not be restricted to pre-registered firms. If registration is required, it shall not be denied to eligible bidders for reasons unrelated to their capacity and resources to successfully perform the contract (e.g., mandatory membership in professional organizations, classification, etc.). Post-qualification shall be conducted to verify that the bidder has the capability and resources to successfully perform the contract.</td>
</tr>
<tr>
<td>(iv) Borrower-owned enterprises in Georgia shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the Borrower. Borrower-owned enterprises will be subject to the same bid and performance security requirements as other bidders.</td>
</tr>
<tr>
<td>(v) Procuring entities shall use the appropriate Bank's sample bidding documents, including pre-qualification documents.</td>
</tr>
</tbody>
</table>
**Procurement Method**

| (vi) | Bids shall be opened in public immediately after the deadline for submission of bids. Bidder’s representatives shall be permitted to attend the bid opening. |
| (vii) | Extension of bid validity shall be allowed once only for not more than thirty (30) days. No further extensions should be requested without the prior approval of the Bank. |
| (viii) | Evaluation of bids shall be based on quantifiable criteria expressed in monetary terms as defined in the bidding documents, no merit point system and no domestic preference shall be used in the evaluation of bids. Contracts shall be awarded to qualified bidders having submitted the lowest evaluated substantially responsive bid and no negotiations shall be carried out prior to contract award. |
| (ix) | Civil works contracts of long duration (e.g. more than eighteen (18) months) shall contain an appropriate price adjustment clause. |
| (x) | No bid shall be rejected purely on the basis that the bid price is higher than the estimated budget for that procurement. All bids shall not be rejected and new bids solicited without the Bank’s prior concurrence. |

(b) Shopping
(c) Direct Contracting

C. **Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan:
<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-Based Selection</td>
</tr>
<tr>
<td>(b) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(c) Least Cost Selection</td>
</tr>
<tr>
<td>(d) Selection Based on Consultants' Qualifications</td>
</tr>
<tr>
<td>(e) Single-Source Selection of consulting firms</td>
</tr>
<tr>
<td>(f) Procedures set forth in paragraphs 5.1-5.5 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(g) Single-source procedures for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(h) Selection of United Nation Agencies</td>
</tr>
</tbody>
</table>

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"). the allocation of the amounts of the Loan to each Category. and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

-14-
### Category | Amount of the Loan Allocated (expressed in US$) | Percentage of Expenditures to be Financed (inclusive of Taxes)
--- | --- | ---
(1) Goods, works, non-consulting services, consultants' services and Training | 59,050,000 | 80%
(2) Operating Costs | 800,000 | 80%
(3) Front-end Fee | 150,000 | Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions
(4) Interest Rate Cap or Interest Rate Collar premium | 0 | Amount due pursuant to Section 2.08(c) of this Agreement

**TOTAL AMOUNT** | **60,000,000**

### B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed US$12,000,000 equivalent, may be made for payments made prior to the date of this Agreement but on or after April 11, 2015, for Eligible Expenditures under Category (1).

2. The Closing Date is December 31, 2019.

### SCHEDULE 3

**Amortization Schedule**

1. 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"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal...
Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date. Such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each June 15 and December 15</td>
<td></td>
</tr>
<tr>
<td>Beginning December 15, 2029, through December 15, 2039</td>
<td>4.55%</td>
</tr>
<tr>
<td>On June 15, 2040</td>
<td>4.45%</td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

   (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

   (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date. Such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

   (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal
Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
APPENDIX

Section I. Definitions

1. “Affected Person” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person, and “Affected Persons” means, collectively, all such Affected Persons.


3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


5. “Environmental and Social Management Framework” or “ESMF” means the Environmental and Social Management Framework disclosed by the Borrower on its website on February 12, 2015, and in the Bank’s Infoshop on February 18, 2015, which sets forth the policies and procedures for: carrying out Environmental, Social and Cultural Resource Screenings; conducting Environmental and Social Reviews; and the preparation of the environmental management plans (including, the requirements for mitigation measures to be included in environmental management plans).

6. “Environmental and Social Review” or “ESR” means a review of a proposed investment subproject, which has been classified as high risk environmental Category B through the ESCR carried out in accordance with the ESMF, to study the biophysical environment in and around the proposed investment subproject site, to identify and assess any potential environmental, social and cultural resource impacts of implementation of such subproject, evaluate alternatives, and design appropriate mitigation, management, and monitoring measures.

7. “Environmental Management Plan” or “EMP” means any specific environmental management plan developed for an Investment Subproject in accordance with the ESMF and satisfactory to the Bank.
8. "Environmental, Social and Cultural Resource Screening" or "ESCRS" means a mandatory review of each proposed investment subprojects under Parts 1(a) and 1(b) of the Project, carried out in accordance with the ESMF, with the purpose of categorizing them by expected environmental risks and impacts, filtering out proposals based on degree of detriment to the environment, identifying a need for preparing an environment management plan and determining appropriate extent and type of environmental, social and cultural resource review to be applied to the proposed investment subprojects accepted for further processing.


10. "GNTA" means the Georgian National Tourism Administration of the Borrower.

11. "Investment Subproject Financing Agreement" means any agreement entered into between the Project Implementing Entity and a Participating LSG for the provision of Investment Subproject Financing to carry out an Investment Subproject, and "Investment Subproject Financing Agreements" means, collectively all such agreements.

12. "Investment Subproject Financing" means a grant made by the Project Implementing Entity, out of the proceeds of the Loan, to a Participating LSG in accordance with the provisions of Section I.D of Schedule to the Project Agreement.

13. "Investment Subproject" means an investment subproject under Part 1(a) or Part 1(b) of the Project to be carried out by a Participating LSG utilizing the proceeds of Investment Subproject Financing and made available pursuant to an Investment Subproject Financing Agreement, and "Investment Subprojects" means, collectively, all such subprojects.

14. "MOF" means the Borrower's Ministry of Finance or any successor thereto.

15. "MRDI" means the Borrower's Ministry of Regional Development and Infrastructure or any successor thereto.

16. "NACHP" means the National Agency for Culture Heritage Preservation of Georgia.

17. "Operating Costs" means reasonable and necessary incremental expenses incurred by the Project Implementing Entity with respect to Project implementation, management and monitoring, and outreach and awareness campaigns including, the costs of support staff salaries (excluding salaries of the Borrower's civil service staff), communication, editing, printing and publication, translation, vehicle operation and maintenance, bank charges.
local travel costs and field trip expenses, office rentals, utilities and supplies, based on an annual budget agreed with the Bank.

18. “Operation Manual” means the manual prepared by the Project Implementing Entity pursuant to paragraph 2(a) of Section I.A of Schedule 2 to this Agreement and to be adopted by the Project Implementing Entity pursuant to Section 5.01(b) of this Agreement and which manual includes the Environmental and Social Management Framework and the Resettlement Policy Framework, as such Operation Manual may be amended from time to time with the agreement of the Bank.

19. “Participating LSG” means: (a) a Local Self Government established and operating by virtue of the Borrower’s Organic Law (Local Self-Government Code) No. 1958-Ii-b of February 5, 2014; (b) a Borrower national agency or entity (for example, NACHP, the Agency of Protected Areas and the Georgia National Museum); or (c) administration of religious organizations, which has been selected for the carrying out of an Investment Subproject in accordance with the eligibility criteria and procedures set forth in the Operation Manual.


21. “Procurement Plan” means the procurement plan for the Project dated February 20, 2015, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.


23. “Project Implementing Entity” or “MDF” means the Municipal Development Fund of Georgia established pursuant to Presidential Decree No. 294 of the President of Georgia, dated June 7, 1997, as amended to date.

24. “Resettlement Action Plan” or “RAP” means a specific resettlement action plan developed for an Investment Subproject in accordance with the RPF and satisfactory to the Bank, and “Resettlement Action Plans” means, collectively, all such Resettlement Action Plans.

25. “Resettlement Policy Framework” or “RPF” means the resettlement policy framework disclosed by the Borrower on its website on February 12, 2015, and in the Bank’s Infoshop on February 18, 2015, which sets forth inter alia: (a) the description of areas covered by the Project; (b) 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: (c) the resettlement principles and entitlements of Affected Persons based on different categories of impact; (d) the procedures for consultation, valuation, compensation, livelihoods restoration and other assistance provided to the Affected Persons, including the grievance process; and (e) the responsibilities, procedures and requirements for the development and implementation of site-specific RAPs.

26. “Subsidiary Agreement” means the agreement referred to in paragraph 1 of Section LB of Schedule 2 to this Agreement pursuant to which the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity.

27. “Training” means expenditures incurred by the Project Implementing Entity in connection with carrying out training activities under Part 2 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.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the Table of Contents, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.

2. Section 3.01. (Front-end Fee) is modified to read as follows:

“Section 3.01. Front-end Fee, Commitment Charge

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the “Front-end Fee”).

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the “Commitment Charge”). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date.”

3. In the Appendix, Definitions, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.
4. The Appendix is modified by inserting a new paragraph 19 with the following definition of "Commitment Charge", and renumbering the subsequent paragraphs accordingly:

   "19. "Commitment Charge" means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b)."

5. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of "Front-end Fee" is modified by replacing the reference to Section 3.01 with Section 3.01 (a).

6. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term "Loan Payment" is modified to read as follows:

   "68. "Loan Payment" means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower."

7. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of "Payment Date" is modified by deleting the word "is" and inserting the words "and Commitment Charge are" after the word "interest".