April 6, 2020

Re: Supporting Innovation in Small and Medium Enterprises Project
(Loan No. 8202-LE)
Amendment to the Loan Agreement

Excellency:

We refer to the Loan Agreement dated February 13, 2013, between Lebanese Republic (the Borrower) and the International Bank for Reconstruction and Development (the Bank), as amended. We also refer to your letter dated March 27, 2020 requesting an amendment to the Loan Agreement.

I am pleased to inform you that, after due consideration, the Bank concurs with the request, and consequently the Loan Agreement is hereby amended as set forth below:

1. Paragraph 1 of Schedule 1 to the Original Loan Agreement is amended to read as follows:

“The objective of the Project is to (a) increase the supply of early stage finance for financially viable, new and existing innovative firms, and (b) support the capability of firms to respond to the COVID-19 crisis.”

2. New Part 3 is added to Schedule 1, Project Description, to read as follows:

“Part 3. Emergency Financing Facility (iSME-COVID) Funding Program

Increase supply of domestically-produced PPE, hygiene materials and medical supplies and equipment (collectively, “COVID-19 materials”) through:

(a) Provision of Emergency Grants to Eligible COVID-19 Financing Recipients to support research and development, technology adoption, commercialization and technical assistance services for manufacturing and distribution of COVID-19 materials.
(b) Provision of Emergency Soft Loans to Eligible COVID-19 Financing Recipients to support manufacturing of COVID-19 materials and related technical assistance.”

3. Paragraph A.2 of Section I of Schedule 2 is hereby amended by inserting the following subparagraphs (d) and (e) and renumbering subsequent subparagraphs accordingly:
(d) establish and maintain an iSME-COVID Selection Committee, in a form and with functions, staffing, resources, terms of reference and qualifications satisfactory to the Bank, to assess the creditworthiness and commercial feasibility of applications for the Emergency Grants and Emergency Soft Loans, and select Eligible COVID Financing Recipients, based on the eligibility criteria set forth in the POM;

(e) establish and maintain an iSME-COVID Advisory Committee, consisting of relevant health experts, with functions, staffing, resources, terms of reference and qualifications satisfactory to the Bank, to review and prioritize the applications for the Emergency Grants and Emergency Soft Loans, based on the eligibility criteria set forth in the POM, and advise the iSME-COVID Selection Committee accordingly;

4. Paragraphs B.1(c) and B.1(f) of Section I of Schedule 2 are hereby amended and replaced in its entirety as follows:

"(e) Kafalat shall not be liable to the Borrower for any Loan Payments, and shall not be liable to the Borrower for financial losses from Eligible Investments or Emergency Soft Loans;"

"(f) Kafalat shall return (i) any profits from Eligible Investments to the Borrower twelve (12) years; and (ii) proceeds from Emergency Soft Loans four (4) years after the Closing Date or at such later date as the Borrower and Kafalat shall agree;"

5. Paragraph D of Section I of Schedule 2 is hereby amended and replaced in its entirety as follows:


The Borrower shall cause Kafalat to provide Concept Development Grants, Emergency Grants and Emergency Soft Loans, and make Eligible Investments through HCs, in accordance with the procedures set forth in the Project Agreement and the Project Operations Manual."

6. The table in Section IV(A)(2) of Schedule 2 to the Loan Agreement is hereby amended and replaced in its entirety to read as follows:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount After Reallocation (US$)</th>
<th>Percent of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services, and consultants’ services for Concept Development Grants (CDGs) under Part 1(a) of the Project</td>
<td>3,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Eligible Investments under Part 1(b) of the Project</td>
<td>19,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, non-consulting services, and consultants’ services, audit, incremental Operation Costs, Training and Incremental Fees for Part 2 of the Project</td>
<td>2,425,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Front-end Fee</td>
<td>75,000</td>
<td>Amount payable pursuant to Section 2.03 of the loan agreement in accordance with Section 2.07(b) of the General Conditions</td>
</tr>
<tr>
<td>(5) Interest Rate Cap or Interest Rate Collar premium</td>
<td>0</td>
<td>Amount due pursuant to Section 2.07(c) of this Agreement</td>
</tr>
<tr>
<td>(6) Goods, non-consulting services, works, and consultants’ services under Part 3 of the Project</td>
<td>5,500,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Total Amount</strong></td>
<td><strong>30,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

7. Section IV.B(1) of Schedule 2 is hereby amended and replaced in its entirety to read as follows:

   "1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made under Category 6 until the Borrower causes Kafalat to adopt and disclose the ESMF."

8. The Appendix to the Loan Agreement is amended to read as follows:

   (a) The following definitions are added and placed in alphabetical order, and the existing definitions are consequently renumbered to keep the alphabetical order:

   "COVID-19" means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).

   "Eligible COVID Financing Recipient" means a recipient of the Emergency Grant under Part 3(a) of the Project or Soft Loan under Part 3(b) of the Project eligible and selected in accordance with selection and eligibility criteria acceptable to the Bank as further set forth in the POM.

   "Environmental and Social Management Framework" or "ESMF" means the document to be prepared and adopted by the Borrower, satisfactory to the Bank, to be disclosed in-country, and the Bank’s website, 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.

“PPE” means Personal Protective Equipment designed to protect the wearer’s body from injury or infection.

“Safeguard Instruments” means collectively, the ESMF, Subproject ESIA, Subproject ESMP, Subproject Environmental and Social Audit, and “Safeguard Instrument” means any of such Safeguards Instruments.

“Sub-project” means any activity, investment activity or sector of activity under Part 3 of the Project, financed or to be financed out of the proceeds of Emergency Grant Agreement, or Emergency Soft Loan Agreement.

Except as specifically amended by this amendment letter, all provisions of the Original Loan Agreement otherwise remain in full force and effect.

Please confirm your agreement to the foregoing amendments to the Loan Agreement by signing the form of confirmation set forth below, and returning one (1) fully executed original of this amendment letter to us and retaining one (1) original of the letter for your records. This amendment letter shall become effective as of the date of countersignature.

Yours sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Saroj Kumar Jha
Regional Director, Middle East Department
Middle East and North Africa Region

AGREED:
REPUBLIC OF LEBANON

By

Authorized Representative

Name: [Signature]
Title: Minister of Finance
Date: 07/04/2020