OFFICIAL DOCUMENTS

LOAN NUMBER 8788-GE

Loan Agreement

(Additional Financing for East West Highway Corridor Improvement 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 additional activities to the Original Project (as defined in the Appendix to this Agreement). 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 sixteen million and nine hundred thousand Euros (€16,900,000), 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 equal to one quarter of one percent (0.25%) of the Loan amount.

2.04. The Commitment Charge is equal to 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 Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.

2.06. The Payment Dates are May 1 and November 1 in each year.

2.07. 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: (i) carry out Parts A, B.1, C, and D of the Project through the Roads Department (RD); and (ii) carry out Part B.2 of the Project through the Ministry of Economy and Sustainable Development (MESD) with the assistance of RD; all in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following, namely that the Co-financing Agreement has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement.


4.03. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 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 Borrower, through RD, has submitted to the Bank an updated Project Operations Manual in form and substance acceptable to the Bank.

(b) The Project Implementation Agreement between MESD, RD, and TRRC has been updated by the parties thereto in a manner acceptable to the Bank.

(c) The terms of reference for the independent auditors referred to in Section 5.09(b)(i) of the General Conditions have been prepared in form and substance satisfactory to the Bank and the Bank has given its no-objection on said terms of reference.

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 its 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:

Facsimile: 995322262423
E-mail: 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: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391
E-mail: mtembon@worldbank.org
AGREED as of the Signature Date.

GEORGIA

By

[Signature]

Authorized Representative

Name: Mamuka Bakhtadze

Title: Minister of Finance

Date: December 4, 2017

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

[Signature]

Authorized Representative

Name: Mercy Tembon

Title: Regional Director

Date: December 4, 2017
SCHEDULE 1

Project Description

The objectives of the Project are to: (i) reduce road user costs along the East-West Highway Corridor section upgraded under the Project; and (ii) strengthen the capacity of the RD and MESD to respectively manage the road network and provide an enabling environment to improve logistics services.

The Project consists of the following parts:

Part A: Improvement and Asset Management of the East-West Highway Corridor

1. Upgrading of approximately 11 km of the existing two-lane East-West Highway Corridor to a two-lane dual carriageway from Chumateleti to Khevi.

2. Carrying out construction supervision and providing quality assurance services for all civil works financed under the Project and on the section of the road from Chumateleti to Khevi within the East-West Highway Corridor.

Part B: Institutional Strengthening

1. Providing support for capacity building to the RD’s Intelligent Transport System (ITS) Unit, including: (i) design and installation of ITS equipment along critical locations of the East-West Highway Corridor; and (ii) the development of annual road users’ satisfaction surveys.

2. Providing technical assistance to MESD for the following activities:

   (i) the consolidation and further development of a national logistics strategy;

   (ii) the creation of a public-private logistics steering committee for developing a sustainable working relationship with the private sector;

   (iii) the implementation of key activities identified in the national logistics strategy developed under (i) above, or recommended by the public-private steering committee set up under (ii) above, including, *inter alia*, a feasibility study to identify priority logistics sites; and

   (iv) capacity building in relation to logistics activities and Project management.
Part C: Project Management

Strengthening the technical capacity of RD to carry out the Project.

Part D: Preparation of Future Investments

Preparation of designs and supporting studies for future investments for the development of the road network.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower, through RD, shall be responsible for the overall coordination and oversight of the Project implementation. To that end, the Borrower shall provide RD with the resources and staff necessary for implementing the Project.

2. The Borrower, through RD, shall maintain, throughout the implementation of the Project, a Foreign Projects Unit (FPU), with a composition, terms of reference, and resources, satisfactory to the Bank.

3. The Borrower, through MRDI, shall: (a) operate and maintain the TRRC with a composition, terms of reference, and resources, satisfactory to the Bank; and (b) ensure that the financial management responsibilities under the Project is carried out by TRRC in accordance with the Project Implementation Agreement.

4. Without limitation to the provision of Section 5.03 of the General Conditions, the Borrower shall ensure that adequate budgetary resources are made available for the Project in the Borrower’s annual budgets in respect of each year of Project implementation, in a manner acceptable to the Bank.

B. Project Operations Manual

1. Without limitation to the provisions of Article V of the General Conditions, the Borrower, through RD, shall: (a) carry out the Project in accordance with the Project Operations Manual (POM); and (b) not amend, revise or waive, nor allow to be amended, revised or waived, the provisions of said POM or any part thereof without the Bank’s prior written consent.

2. In the event of any inconsistency between the POM and this Agreement, the provisions of this Agreement shall prevail.

C. Project Implementation Agreement

For purposes of coordinating the implementation of the Project, MESD, RD, and TRRC shall update and maintain their respective Project Implementation Agreement, satisfactory to the Bank, which shall include, inter alia, the obligations set forth under this Schedule as applicable to RD, MESD and TRRC, respectively.
D. Safeguards

1. The Borrower, through RD, shall ensure that the Project is implemented in accordance with the provisions of the ESIA, the ESMP, the RPF, and RAP(s) in a manner satisfactory to the Bank.

2. The Borrower shall not abrogate, amend or waive, or permit to be abrogated, amended or waived, the ESIA, the ESMP, the RPF or the RAP(s) or any provision thereof, without prior approval in writing by the Bank.

3. For works under the Project, if it is determined that Resettlement is involved, the Borrower, through RD shall: (i) prior to the carrying out of any said works, prepare and furnish to the Bank, a RAP acceptable to the Bank (which RAP(s) shall be consistent with the pertinent provisions of the RPF); (ii) disclose and carry out consultations for said RAP(s); and (iii) thereafter, implement said RAP(s) in accordance with its terms and in a manner acceptable to the Bank.

4. The Borrower through the RD, shall: (a) maintain satisfactory terms of reference in respect of any consultancy in connection with the Project (including review of the feasibility study and preparation of detailed engineering design described in Part D of the Project) following the Bank’s review thereof and; (b) ensure that such terms of reference duly incorporate the requirements of the Bank’s Safeguards Policies then in force, as applied to the advice conveyed through such technical assistance.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Borrower shall furnish to the Bank each Project Report not later than forty five days after the end of each calendar semester, covering the calendar semester.

B. Mid-Term Review

Without limitations to the provisions set forth in Section II.A. above, the Borrower, through RD, shall:

1. not later than one month prior to the mid-term review referred to in paragraph 2 herein furnish to the Bank a report, in such scope and detail as the Bank shall reasonably request, on the progress of the Project as of the date of said report;

2. not later than December 31, 2019, undertake with the Bank, a comprehensive mid-term review of the Project, based on the report mentioned in paragraph 1 herein, including: compliance with the performance indicators and the Borrower’s obligations under this Agreement; and
3. following the mid-term review, act promptly and diligently in order to take any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement such other measure as may be required in furtherance of the objectives of the Project, resulting from said mid-term review.

Section III. Withdrawal of Loan Proceeds

A. General

1. 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; and (b) pay: (i) the Front-end Fee and (ii) 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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in Euros)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants’ services, Training, and Incremental Operating Costs for the Project except for Part B2</td>
<td>16,857,750</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>42,250</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>(3) Interest Rate Cap or Interest Rate Collar premium</td>
<td>0</td>
<td>Amount due pursuant to Section 4.05(c) of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td><strong>16,900,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
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 Signature Date, except that withdrawals up to an aggregate amount not to exceed twenty (20%) of the total Loan amount may be made for payments made up to twelve months for Eligible Expenditures under Category (1).

2. The Closing Date is December 31, 2023.
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").

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 1 and November 1</td>
<td></td>
</tr>
<tr>
<td>Beginning May 1, 2033 through May 1,</td>
<td>5.56%</td>
</tr>
<tr>
<td>2041</td>
<td></td>
</tr>
<tr>
<td>On November 1, 2041</td>
<td>5.48%</td>
</tr>
</tbody>
</table>
APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means for purposes of paragraph 5 of the Appendix to the General Conditions: (i) 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, for all activities under the Project except for Consultants’ Services required for the construction supervision of the section of the road from Chumateleti to Khevi under Part A(2) of the Project; and (ii) 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” for Consultants’ Services required for the construction supervision of the section of the road from Chumateleti to Khevi under Part A(2) of the Project.

2. “Category” means a category set forth in the table in Section III.A.1 of Schedule 2 to this Agreement.


4. “Co-financing” means, for purposes of paragraph 16 of the Appendix to the General Conditions, an approximate amount of seventy-five million and nine hundred thousand euros (€75,900,000) to be provided by the Co-financier to assist in financing the Project.

5. “Co-financing Agreement” means the agreement to be entered into between the Borrower and the Co-financier providing for the Co-financing.


7. “Displaced Persons” means persons who, on account of the execution of the Project, would suffer direct economic and social impacts resulting in Resettlement.

8. “East-West Highway Corridor” means the highway corridor of approximately 450 km, comprising of the sections of highway E-60 (between Red Bridge, at the border with Azerbaijan, to Poti) and highway E-70 (between Poti to Sarpi, at the border with Turkey), all within the Borrower’s territory, and as highways E-60 and E-70 are defined in the European Agreement on Main International Traffic Arteries (AGR) signed at Geneva on November 15, 1975.

9. “Environmental and Social Impact Assessment” or “ESIA” means the Borrower’s environmental and social impact assessment report for the Project applicable to the
Project and to the works referred to in Section I.D.3 of Schedule 2 to this Agreement and included in the ESIA; satisfactory to the Bank, and disclosed in the Borrower’s territory and published in the Bank’s external website on April 5, 2017, which sets forth, *inter alia*, the mitigating, monitoring and institutional measures to be taken during the implementation and operation of the Project to offset or reduce potential adverse environmental and social impacts to levels acceptable to the Bank.

10. “Environmental and Social Management Plan” or “ESMP” means, the plan included in the ESIA, prepared by the Borrower in accordance with the ESIA, applicable to the Project and to the works referred to in Section I.D.3 of Schedule 2 to this Agreement; in form and substance satisfactory to the Bank, and setting forth, *inter alia*: (i) the measures for mitigating the environmental risks and impacts associated with the implementation of Project activities; (ii) the measures for eliminating, offsetting or mitigating any adverse cultural resources impact; and (iii) the administrative and monitoring arrangements for ensuring the implementation of said plans, as said plans may be revised from time to time with the prior written agreement of the Bank, and such term includes any annexes or schedules to such plans.

11. “Foreign Projects Unit” or “FPU” means the division established within the RD responsible for the implementation of projects financed through external funding, and referred to under Section I.A.2 of Schedule 2 to this Agreement.


13. “Incremental Operating Costs” means the reasonable and necessary incremental expenses incurred by the Borrower with respect to Project implementation, including: management and monitoring costs, salaries of contracted staff (excluding salaries of the Borrower’s civil servants), communication, editing, printing and publication, translation, vehicle operation and maintenance, bank charges, local travel costs and field trip expenses, office rentals, utilities, equipment and supplies.

14. “MESD” means the Borrower’s Ministry of Economy and Sustainable Development, or any legal successor thereto.

15. “MRDI” means the Borrower’s Ministry of Regional Development and Infrastructure, or any legal successor thereto.
16. “Original Loan Agreement” means the loan agreement for the East West Highway Corridor Improvement Project between the Borrower and the Bank, dated February 10, 2016, as amended to the date of this Agreement (Loan No 8547-GE).

17. “Original Project” means the Project described in Schedule 1 to the Original Loan Agreement.

18. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated September 20, 2017 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.

19. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for Borrowers under Investment Project Financing”, dated July 1, 2016 (revised on May 26, 2017).

20. “Project Implementation Agreement” means the agreement referred to in Section I.C of Schedule 2 to this Agreement, as said agreement may be amended from time to time with the approval of the Bank.

21. “Project Operations Manual” or “POM” means the Borrower’s manual dated March 16, 2016, as revised, acceptable to the Bank, including all appendices and schedules thereto, and setting forth the policies and procedures that apply to the carrying out of the Project, including, inter alia: (a) the roles and responsibilities of the RD, MESD, and TRRC; (b) the staffing requirements for the Project; (c) the estimated implementation schedule; (d) the procedures for accessing, disbursing and accounting for funds under the Project; (e) the procedures for Project monitoring, supervision and evaluation, including the format and content of the Project Reports; and (f) the procurement and financial management procedures, as said manual may be amended from time to time with the prior written approval of the Bank.

22. “RD” means the Borrower’s Roads Department of the MRDI responsible for managing the Borrower’s road network or any legal successor thereto, acceptable to the Bank.

23. “Resettlement” means: (a) the involuntary taking of land resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; and (iii) loss of income sources or means of livelihood, whether or not the affected 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 livelihoods of said person.
24. "Resettlement Action Plan" or "RAP" means the resettlement action plan, including any abbreviated resettlement plan, to be adopted by the Borrower, in accordance with the RPF and this Agreement; satisfactory to the Bank and containing, *inter alia*, a program of actions, measures and policies for compensation and resettlement of Displaced Persons, including compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on, compliance with its terms for each site.

25. "Resettlement Policy Framework" or "RPF" means the Borrower’s resettlement policy framework, acceptable to the Bank, applicable to the Project and to the works referred to in Section I.D.3 of Schedule 2 to this Agreement and included in the ESIA; disclosed in country on May 18, 2015 and in the Bank’s external website on May 27, 2015, as updated and disclosed in country and through the Bank’s external website on April 5, 2017 setting forth, *inter alia*, the modalities for resettlement and compensation of Displaced Persons under the Project.

26. "Safeguards Policies" means the World Bank’s operational policies and procedures then in force, and which currently are set forth in the World Bank's Operational Manual under OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60 as said manual is published under www.WorldBank.org/opmanual.

27. "Signature Date" means the latest of the two dates on which the Borrower and the Bank signed this Agreement and such definition applied to all references to “the date of the Loan Agreement” in the General Conditions.

28. "Training" means expenditures incurred by the Borrower in connection with carrying out training activities under the Project, including travel costs and *per diem* for local trainees, study tours, workshops, conferences, rental of facilities and equipment and training materials and related supplies.

29. "TRRC" means the Borrower’s Investment Center of Eurasian Transport Corridor established pursuant to Decree No. 153, dated April 3, 2015, or any legal successor thereto acceptable to the Bank.

**Section II. Modifications to the General Conditions**

The General Conditions are hereby modified as follows:

1. Section 5.13 (Procurement) is modified to read as follows:

   (a) All goods, works and services required for the Project (except those referred to in subparagraph (b) below) 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 the Procurement Regulations (except as referred to in subparagraph (b) below) and the provisions of the Procurement Plan.

(b) (i) Consultants' Services required for the construction supervision of the section of the road from Chumateleti to Khevi under Part A(2) of 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, II and IV of the Consultant Guidelines and with the provisions of this paragraph.

(ii) Definitions. The capitalized terms used below in this paragraph to describe particular procurement methods or methods of review by the Bank of particular contracts required for the construction supervision of the section of the road from Chumateleti to Khevi under Part A(2) of the Project refer to the corresponding method described in Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(iii) The following method may be used for the procurement of consultants' services required for the construction supervision of the section of the road from Chumateleti to Khevi under Part A(2) of the Project, namely Quality- and Cost-based Selection.

(iv) 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.