Loan Agreement

(Additional Financing for Second Regional Development Project)

between

GEORGIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

for the purpose of Schedule 4

Dated May 4, 2016
LOAN AGREEMENT

Agreement dated May 7, 2016, between GEORGIA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing additional financing for the Original Project (as defined in the Appendix to this Agreement) and activities related thereto, and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of Schedule 4. 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 nine million Dollars ($9,000,000) ("Loan"), 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amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 April 1 and October 1 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 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 Section 4.01 of this Agreement occurs and is continuing for a period of sixty (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 Subsidiary Agreement has been executed on behalf of the Borrower, through its Ministry of Finance, and by the Ministry of Regional Development and Infrastructure and the Project Implementing Entity.

(b) The Project Operations Manual has been updated and adopted by the Project Implementing Entity in form and substance satisfactory to the Bank.

5.02. The Additional Legal Matter consists of the following, namely, 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 ninety (90) 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
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

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

[Signature]

Authorized Representative

Name: Nodar Khaduri
Title: Minister of Finance

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT and INTERNATIONAL DEVELOPMENT ASSOCIATION for the purpose of Schedule 4

By

[Signature]

Authorized Representative

Name: Mercy Miyang Tembon
Title: Country Director
SCHEDULE 1

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 Imereti region.

The Project consists of the following parts:

**Part A: Infrastructure Investment**

Provision of financing for carrying out Investment Subprojects for: (1) the urban regeneration of Tskaltubo which includes: (a) the rehabilitation of municipal infrastructure and utilities; (b) the upgrading of public spaces, parks, and construction of tourism amenities; and (c) the restoration of public buildings with vernacular architecture; and (2) tourism circuit development which includes: (a) improving urban landscaping and public parking; (b) the construction of info kiosks, cafes and public toilets; (c) the reconstruction, restoration and/or refurbishment of the exterior and interior of the Vani museum; (d) improving access roads; and (e) the preservation of selected cultural heritage sites.

**Part B: Institutional Development**

Enhancing the institutional capacity and performance of the Georgia National Tourism Administration (GNTA), the Agency for Culture Heritage Preservation of Georgia (ACHP), the National Museum, the Project Implementing Entity, and other local and regional entities to carry out the following activities: (1) the establishment of the Tskaltubo destination management and development office; (2) sustainable development and promotion; the establishment of the geotourism routes and tourism portal and conducting a local outreach campaign; (3) the preparation of visitors’ management plans for the sustainability of the Project’s cultural heritage sites; (4) skilled workforce development and capacity building; (5) monitoring and evaluation of performance; and (6) the provision of construction supervision support.
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 this Agreement, the Project Agreement, the Subsidiary Agreement and the Project Operations Manual and shall not amend, suspend, abrogate, repeal or waive any provision of said Manual without the prior written approval of the Bank.

2. For the purpose of ensuring the proper coordination and execution of the Project, the Borrower shall maintain the supervisory board of the Project Implementing Entity. The functions of said board shall include, inter alia: (a) overall supervision of the implementation of the Project; (b) inter-agency coordination to achieve the Project objectives; and (c) review and approval of the annual work programs’ budgets and reports for the operation of the Project Implementing Entity.

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, under a subsidiary agreement between the Borrower, through its Ministry of Finance, and by the Ministry of 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. Anti-Corruption

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

D. Investment Subprojects

1. For purposes of Part A of the Project, the Borrower shall cause the Project Implementing Entity to carry out Investment Subprojects for the benefit of the
Beneficiaries, in each case under an Investment Subproject Agreement with each Beneficiary, in accordance with eligibility criteria and procedures acceptable to the Bank, and set forth in the Project Operations Manual and in accordance with the Project Agreement.

2. The Borrower shall cause the Project Implementing Entity to enter into Investment Subproject Agreements under terms and conditions approved by the Bank, which shall include that the Project Implementing Entity shall obtain rights and obligations adequate to protect its interests and those of the Borrower and the Bank, as set forth in the Project Agreement.

3. The Borrower shall cause the Project Implementing Entity to exercise its rights under each Investment Subproject Agreement in such manner as to protect its interests and those 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 any Investment Subproject Agreement or any of its provisions.

E. Safeguards

1. The Borrower shall ensure that the Project is carried out by the Project Implementing Entity in accordance with the provisions of the EMF, EA(s), EMP(s), RPF and RAP(s). The Borrower shall not assign, amend, abrogate or waive the EMF, EA(s), EMP(s), RPF and RAP(s) or any provision thereof, without the prior approval of the Bank.

2. For purposes of Part A of the Project, the Borrower shall cause the Project Implementing Entity:

   (a) prior to the preparation of the Subproject Summary Report or Subproject Appraisal Report for each Investment Subproject, to submit to the Bank for its approval: (i) the proposed design and site for said Investment Subproject; (ii) the proposed environmental assessment category and risk rating assigned thereto; (iii) the proposed environmental instrument to be prepared; and (iv) the assessment of whether a RAP would need to be prepared for the said Investment Subproject;

   (b) when presenting an Investment Subproject to the Bank for approval, to furnish to the Bank a Subproject Summary Report or a Subproject Appraisal Report, in form satisfactory to the Bank, which includes: (i) the description of the proposed Investment Subproject and the respective expenditures proposed to be financed out of the proceeds of the Loan; (ii) the related EA or a self-standing site-specific EMP and RAP, as the case may be, in form and substance satisfactory to the Bank; (iii) technical, financial and economic analysis of the proposed Investment Subproject;
and (iv) the proposed terms and conditions of the Investment Subproject Agreement to be used for the Investment Subproject;

(c) prior to the issuance of the bidding documents for the works contract for each Investment Subproject, to prepare and submit to the Bank for its approval: (i) the draft bidding documents, including site-specific EMP; and (ii) the evidence that the said EMP has been disclosed and consulted with Investment Subproject-affected people; and

(d) if an Investment Subproject requires land acquisition or resettlement, prior to the commencement of the works under such Investment Subproject, to ensure that the owners and users of the land or other property affected by said works are fully compensated in accordance with the provisions of the RAP(s).

3. The Borrower shall: (a) ensure that all activities undertaken for the purpose of carrying out of the Project comply with environmental standards and guidelines satisfactory to the Bank; (b) ensure that the selection of any Investment Subproject under Part A of the Project is done in accordance with the provisions of the EMF; (c) ensure the complete implementation of the EMP(s) in a manner acceptable to the Bank, including all necessary measures to minimize and to mitigate any adverse environmental impacts caused by the implementation of the Project; and (d) maintain the Project Implementing Entity's environmental unit with competent staff in adequate numbers and with such responsibilities and functions acceptable to the Bank as shall enable the Project Implementing Entity to manage, coordinate and monitor the implementation of the EMP(s).

4. Prior to carrying out any Investment Subproject that requires land acquisition or resettlement, in the opinion of the Bank, the Borrower shall:

(a) ensure that the Project Implementing Entity prepares the RAP(s) according to the RPF;

(b) maintain or cause to be maintained by the Project Implementing Entity, and publicize or cause to be publicized by the Project Implementing Entity, the availability of, grievance procedures to hear and determine fairly and in good faith, in accordance with the RPF, all complaints raised in relation to the implementation of the RAP(s), and take all measures necessary to implement the determinations made under such grievance procedures;

(c) cause the Project Implementing Entity to review consistency of the RAP(s) with the RPF and confirm implementation of RAP(s) prior to commencement of works under each Investment Subproject for which a RAP has been prepared;
(d) cause the Project Implementing Entity to employ a resettlement expert, satisfactory to the Bank, to conduct an ex-post review of the implementation of the RAP(s);

(e) cause the Project Implementing Entity to furnish promptly to the Bank the findings and recommendations for follow up action resulting from each such review; and

(f) cause the Project Implementing Entity to implement all such recommendations for follow up action as are agreed with the Bank.

Section II. **Project Monitoring Reporting and Evaluation**

A. **Project Reports**

The Borrower shall 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 shall cause the Project Implementing Entity to have its Project 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 (6) 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:

   (a) Limited International Bidding;

   (b) National Competitive Bidding, subject to the following additional provisions:

      (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.

      (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.

(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.

(iv) Government-owned enterprises or institutions in the Borrower’s country 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. Government-owned enterprises or institutions in the Borrower’s country will be subject to the same bid and performance security requirements as other bidders.

(v) Procuring entities shall use the appropriate Bank’s sample bidding documents, including pre-qualification documents, for the procurement of goods, works, or non-consulting services, and such documents shall contain draft contract and conditions of contract including clauses on fraud and corruption, audit and publication of award, all acceptable to the Bank.

(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.

(c) Shopping; and

(d) 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:

(a) Quality-based Selection;

(b) Selection under a Fixed Budget;

(c) Least Cost Selection;

(d) Selection based on Consultants’ Qualifications;

(e) Single-source Selection of consulting firms;

(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and

(g) Single-source procedures for the Selection of Individual Consultants.

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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</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 and Training</td>
<td>8,797,500</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Operating Costs</td>
<td>180,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Front-end Fee</td>
<td>22,500</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>(4) Interest Rate Cap or Interest Rate Collar premium</td>
<td>0</td>
<td>Amount due pursuant to Section 2.08(c) of this Agreement</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>9,000,000</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 date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $900,000 may be made for payments made prior to this date but on or after February 25, 2016, for Eligible Expenditures under Category (1).

2. The Closing Date is December 30, 2018.
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 April 1 and October 1</td>
<td></td>
</tr>
<tr>
<td>Beginning October 1, 2034 through October 1, 2036</td>
<td>16.67%</td>
</tr>
<tr>
<td>On April 1, 2037</td>
<td>16.65%</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.
SCHEDULE 4

Amendments to the Original Financing Agreement

A. The Borrower and the Association hereby agree to amend the Original Financing Agreement as follows:

1. Schedule 1 to the Original Financing Agreement is hereby amended and replaced by Schedule 1 to this Agreement.

2. Paragraph 2 of Section IV.B. of Schedule 2 to the Original Financing Agreement is hereby amended and replaced in its entirety to read as follows:

   "2. The Closing Date is December 30, 2018."

3. The following definitions included in the Appendix to the Original Financing Agreement are hereby amended and replaced in their entirety to read as follows:


4. The following definition is added to Section I of the Appendix to the Financing Agreement, in alphabetical order, and the rest of the definitions are renumbered accordingly, as follows:

   "Project Agreement" means the agreement between the International Development Association and the Municipal Development Fund, dated November 9, 2012, referred to in Section 3.01 of this Agreement pursuant to which the Project Implementing Entity shall carry out the Project."
APPENDIX

Section I. Definitions


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


5. “EA(s)” or “Environmental Assessment(s)” means the process(es) of analyzing character, magnitude, and span of potential environmental impacts of an Investment Subproject, to be carried out by the Project Implementing Entity for preparing EMP(s) for high risk Investment Subprojects identified through the risk assessment procedure provided in the EMF.

6. “EMF” or “Environmental Management Framework” means the Borrower’s environmental management framework, dated September 21, 2012, and updated on February 25, 2016, satisfactory to the Bank, outlining the procedures for: (a) screening Investment Subprojects based on their expected impacts on the natural and social environment, and cultural heritage; (b) evaluating their risks; (c) defining a need for environmental assessment as part of the procedure for preparing EMP(s); (d) disclosure; and (e) management, related to the selection and implementation of the Investment Subprojects under the Project.

7. “EMP(s)” or “Environmental Management Plan(s)” means the Borrower’s site-specific environmental management plan(s), acceptable to the Bank prepared or to be prepared by the Project Implementing Entity during the Project implementation in accordance with the EMF and approved by the Bank, describing environmental mitigation, monitoring and institutional measures for any Investment Subproject under the Project.

8. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012, with the modifications set forth in Section II of this Appendix.
9. “Investment Subproject Agreement” means an agreement entered into between the Project Implementing Entity and the Beneficiaries for the purposes of Part A of the Project, in accordance with the provisions of the Project Operations Manual.

10. “Investment Subproject” means a subproject to be carried out in the Imereti region for the benefit of Beneficiaries utilizing the proceeds of the Loan in accordance with Section D of Schedule 2 to this Agreement, Sections C, D.2 and D.4 of the Schedule to the Project Agreement.

11. “Ministry of Regional Development and Infrastructure” means the Borrower’s Ministry of Regional Development and Infrastructure, or any successor thereto.

12. “Ministry of Finance” means the Borrower’s Ministry of Finance, or any successor thereto.


14. “Operating Costs” means reasonable expenditures incurred by the Borrower 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, editing, printing and publication, translation, vehicle operation and maintenance, bank charges, local travel costs and field trip expenses, office rentals, utilities, and office supplies.

15. “Original Financing Agreement” means the agreement for a Second Regional Development Project between Georgia and the International Development Association, dated November 9, 2012 (Credit No. 5178-GE).

16. “Original Project” means the Project described in the Original Financing Agreement.

17. “Original Project Agreement” means the project agreement between the International Development Association and the Municipal Development Fund, dated November 9, 2012 (Credit No. 5178-GE).


19. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated February 25, 2016 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.
20. “Project Agreement” means the agreement between the International Bank for Reconstruction and Development and the Municipal Development Fund, of even date herewith, referred to in Section 3.01 of this Agreement pursuant to which the Project Implementing Entity shall carry out the Project.


23. “Project Operations Manual” means the manual prepared by the Project Implementing Entity (as herein defined) dated September 21, 2012, satisfactory to the Bank: (a) specifying the key instruments for the implementation and coordination of the Project, including (i) the managerial, financial, administrative, engineering and environmental policies and procedures of the Project Implementing Entity (as herein defined) for the execution of the Project; (ii) the procurement and financial management procedures; (iii) the eligibility criteria for selection of Investment Subproject(s); (iv) the terms and conditions for Investment Subproject Agreements; (v) procurement and implementation of Investment Subprojects; and (vi) the staffing, management and responsibilities of the Project Implementing Entity; and (b) including in Annex 4 thereto the EMF, as such Project Operations Manual may be amended from time to time with the agreement of the Bank.

24. “RAP” or “Resettlement Action Plan” means a resettlement action plan, satisfactory to the Bank, to be prepared and implemented by the Project Implementing Entity for carrying out activities under the Project in accordance with the RPF (as hereinafter defined), to set out, inter alia, the principles and objectives, the affected persons’ eligibility criteria, compensation, assistance and rehabilitation entitlements, as well as the monitoring and reporting arrangements in conformity with the RPF (as hereinafter defined).

25. “RPF” or “Resettlement Policy Framework” means the Project Implementing Entity’s framework, dated September 21, 2012, satisfactory to the Bank, for the carrying out of land acquisition activities under the Project, which sets out the procedures to be followed in the carrying out of said activities as such framework may be amended from time to time with the prior approval of the Bank.

26. “Subproject Appraisal Report” means the Subproject appraisal report referred to in Section I.E.2 of Schedule 2 to this Agreement.

27. “Subproject Summary Report” means the Subproject summary report referred to in Section I.E.2 of Schedule 2 to this Agreement.
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 Borrower 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, rental of facilities and equipment and training materials and related supplies.

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”.

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