Loan Agreement

Economic Management and Competitiveness Development Policy Operation

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 financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, inter alia, of: (i) the actions which the Borrower has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (ii) the Borrower’s maintenance of an adequate macroeconomic policy framework. The Borrower and the Bank therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower the amount of forty-five million Euro (€45,000,000), as such amount may be converted from time to time through a Currency Conversion ("Loan").

2.02. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.

2.03. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.04. The interest rate is the Reference Rate plus the Fixed Spread or such rate as may apply following a Conversion; subject to Section 3.02 (e) of the General Conditions.

2.05. The Borrower elects to apply the Automatic Rate Fixing Conversion to the Loan. Accordingly, without limitation upon the provisions of Article IV of the General Conditions and unless otherwise notified by the Borrower to the Bank in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to consecutive withdrawals from the Loan Account which in the aggregate equal or exceed forty-five million Euro (€45,000,000) shall be converted from the initial Variable Rate to a Fixed Rate for the full maturity of such amount in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
2.06. The Payment Dates are February 15 and August 15 in each year.

2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 2 to this Agreement.

2.08. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III — PROGRAM

3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:

(a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower’s macroeconomic policy framework and the progress achieved in carrying out the Program; and

(b) without limitation upon paragraph (a) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule I to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

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

ARTICLE V — EFFECTIVENESS; TERMINATION

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

5.02. The Effectiveness Deadline is the date one hundred and twenty (120) days after the Signature Date.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. The Borrower's Address is:

   Ministry of Finance
   16 Gorgasali Street
   0114 Tbilisi
   Georgia

   Email: publicdebth@moF.ge

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; and
AGREED as of the Signature Date.

GEORGIA

By

Authorized Representative

Name:  
Title:  
Date:  

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name:  
Title:  
Date:  
SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions taken under the Program

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

1. The Government, through Decree No. 2735, dated December 30, 2019, has introduced a mechanism to support public financial management improvements by municipalities, by providing additional financing for capital investments for 27 municipalities, conditional upon the municipalities improving identified areas of weakness as per public expenditure and financial accountability assessment reports.

2. In order to improve public investment management, the Borrower has adopted: (a) Government Decree No. 679, dated December 31, 2019, amending the PIM Guideline; and (b) Ministry of Finance Order No. 411, dated December 26, 2019, establishing the Charter of the PIM Working Group.

3. The Government, on February 21, 2020, has submitted to Parliament a draft amendment to the Law on State Procurement to strengthen the independence and impartiality of the Dispute Resolution Council, and, through Decree No. 23, dated January 14, 2020, has further restricted the use of single source procurement.

4. The Government, through Decree No. 35, dated January 17, 2020, has begun to facilitate evidence-based policy-making by adopting a methodology for regulatory impact assessments and assigning adequate responsibilities related to regulatory impact assessments, including coordinating and supporting reforms relating to regulatory impact assessments.

5. In order to enhance the level of competition, the Competition Agency of Georgia, on June 28, 2019, has submitted to Parliament a draft amendment to the Law on Competition to strengthen the governance of the Competition Agency of Georgia, raise its enforcement capacity and enhance its relations with other regulators; and the Government on February 28, 2020, has submitted to Parliament a draft Law on Sharing Telecommunication Infrastructure and Telecom Ready Physical Infrastructure to support measures to reduce the cost of deploying high-speed electronic communications networks.

6. In order to provide incentives to improve teacher qualifications and to more efficiently deploy teachers, the Ministry of Education, Science, Culture and Sports has adopted: (a) Decree No. 164/n, dated August 8, 2019, to amend Order No. 40/n, dated May 18, 2016, to prioritize allocation of teaching hours to certified teachers; (b) Decree No. 174/n, dated August 20, 2019, to introduce
criteria and conditions for initiation and termination of teacher employment; and (c) Decree No. 187/n, dated September 6, 2019, to amend Decree No. 126/n, dated September 28, 2015, on Defining the Minimum Amount and Conditions for Work Remuneration of Public School Teachers to introduce higher salaries for certified teachers.

7. The Government, on February 24, 2020, has submitted to Parliament a draft Law on Investment Funds to strengthen the regulatory and supervisory framework applicable to investment fund operations and public issuers’ financial information disclosure.

8. The Ministry of Economy and Sustainable Development has adopted Decree No. 1-1/40, dated January 27, 2020, endorsing the strategy for attracting foreign direct investment of the government agency in charge of investment promotion, and implemented key measures from this strategy, including increasing the staffing of the agency.

Section II. Availability of Loan Proceeds

A. General. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.

B. Allocation of Loan Amounts. The Loan except for amounts required to pay the Front-end Fee is allocated in a single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds. The allocation of the amounts of the Loan to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Loan (expressed in Euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Single Withdrawal Tranche</td>
<td>44,887,500</td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>112,500</td>
</tr>
<tr>
<td>(3) Interest Rate Cap or Interest Rate Collar premium</td>
<td>Amount due pursuant to Section 4.05 (c) of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>45,000,000</td>
</tr>
</tbody>
</table>

C. Withdrawal Tranche Release Conditions. No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied: (a) with the Program being carried out by the Borrower; and (b) with the adequacy of the Borrower’s macroeconomic policy framework.
D. **Audit.** Upon the Bank’s request, the Borrower shall:

1. have the account designated by the Borrower audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank;

2. furnish to the Bank as soon as available, but in any case not later than four (4) months after the date of the Bank’s request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Bank shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Bank; and

3. furnish to the Bank such other information concerning the account designated by the Borrower and their audit as the Bank shall reasonably request.

E. **Closing Date.** The Closing Date is March 31, 2021.
SCHEDULE 2

Commitment-Linked Amortization Repayment Schedule

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share").

**Level Principal Repayments**

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 15 and August 15</td>
<td>4.55%</td>
</tr>
<tr>
<td>Beginning August 15, 2034, through August 15, 2044</td>
<td></td>
</tr>
<tr>
<td>On February 15, 2045</td>
<td>4.45%</td>
</tr>
</tbody>
</table>
APPENDIX

Definitions

1. “Charter of the PIM Working Group” means the charter adopted by Ministerial Order No. 411, dated December 26, 2019, issued by the Ministry of Finance of Georgia.

2. “Competition Agency of Georgia” means the Borrower’s competition agency constituted under the Law on Competition.

3. “Dispute Resolution Council” means the Borrower’s entity with a mandate to consider procurement-related disputes as established under the Law on State Procurement.


10. “Ministry of Economy and Sustainable Development” means the Borrower’s Ministry of Economy and Sustainable Development.

12. "PIM Guideline" mean the guideline adopted through Borrower’s Decree No. 191, dated April 22, 2016, and any amendments thereafter.

13. "PIM Working Group" means the working group for Public Investment Management established by Ministerial Order No. 411, dated December 26, 2019, issued by the Ministry of Finance of Georgia.

14. "Program" means the program of objectives, policies, and actions set forth or referred to in the letter dated February 27, 2020, from the Borrower to the Bank, declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the Program’s objectives.

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

16. "Single Withdrawal Tranche" means the amount of the Loan allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.