

CONFIDENTIAL DRAFT
(Subject to Change)
B. Saez
May 1, 2020

LOAN NUMBER _____ - __

Loan Agreement

Georgia Emergency COVID-19 Response Project

between

GEORGIA

and

ASIAN INFRASTRUCTURE INVESTMENT BANK

Dated _____, 20__

LOAN AGREEMENT

Agreement dated _____, 20__ (“Loan Agreement”), between GEORGIA (“Borrower”) and ASIAN INFRASTRUCTURE INVESTMENT BANK (“Bank”).

a) WHEREAS, the Co-financier has provided Co-financing in the amount of seventy three million one hundred thousand Euros ((€73,100,000) to the Borrower through the Co-financing Agreement to assist in the financing of the project described in Schedule 1 to this Loan Agreement (the “Project”);

(b) WHEREAS, the Borrower has requested the Bank to extend a Loan to assist in the financing of the Project; and

(c) WHEREAS, the Bank has agreed, on the basis, inter alia, of the foregoing to extend a Loan to the Borrower upon the terms and conditions set forth in this Loan Agreement.

NOW THEREFORE, 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 Loan Agreement) constitute an integral part of this Loan Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Loan Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Loan 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 Loan Agreement, the amount of one hundred million Dollars (\$100,000,000) (“Loan”), to assist in financing the project described in Schedule 1 to this Loan Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Loan 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. The Borrower shall pay the Front-end Fee not later than 60 days after the Effective Date.
- 2.04. The Commitment Fee 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 the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion, subject to Section 3.02(d) 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance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 (30) days, then the Borrower shall pay the Default Interest Rate on such overdue amount, in lieu of the Variable Rate, or such interest rate that may be applicable as a result of a Conversion, as provided in Section 3.02(d) of the General Conditions.

- 2.06. The Interest 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 the provisions of Schedule 3 to this Loan Agreement.

ARTICLE III. — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project, through its Ministry of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs (“MoILHSA”), in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Loan 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 Loan Agreement.

ARTICLE IV. — REMEDIES OF THE BANK

- 4.01. The Additional Events of Suspension consist of the following:
 - (a) any event of suspension has occurred under the Co-financing Agreement and is continuing; and
 - (b) the Project Co-financiers’ Agreement has been terminated.
- 4.02. The Additional Events of Acceleration consist of the following:
 - (a) the event specified in Section 4.01(b) of this Loan Agreement occurs; and
 - (b) the event specified in Section 4.01 **Error! Reference source not found.**(a) of this Loan Agreement occurs and is continuing for a period of thirty (30) days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V. — EFFECTIVENESS

- 5.01. The Additional Condition of Effectiveness consist of the following:
 - (a) The Co-financiers’ Agreement has been executed on behalf of the Bank and the Co-financier, and all conditions precedent to its effectiveness (except for the effectiveness of this Loan Agreement) have been satisfied; and
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Loan Agreement.

ARTICLE VI. — REPRESENTATIVE; ADDRESSES

6.01. Except as provided in Section 2.02 of this Loan Agreement, the Borrower's representative designated for purposes of Section 9.02 of the General Conditions is the Minister of Finance.

6.02. The Borrower's address for purposes of Section 9.01 of the General Conditions is:

Ministry of Finance
16 Gorgasali Street
0114 Tbilisi
Georgia

Facsimile: [REDACTED]

6.03. The Bank's Address is:

Asian Infrastructure Investment Bank
B-9 Financial Street, Xicheng District
Beijing, People's Republic of China 100033

Facsimile: +86-10-8358-0002

AGREED at _____, _____, as of the day and year first above written.

GEORGIA

By _____
Authorized Representative

Name: _____

Title: _____

ASIAN INFRASTRUCTURE INVESTMENT BANK

By _____
Authorized Representative

Name: _____

Title: _____

SCHEDULE 1

Project Description

The objective of the Project is to prevent, detect, and respond to the threat posed by the COVID-19 pandemic and strengthen national systems for public health preparedness in Georgia.

The Project consists of the following components:

Component 1: Emergency COVID-19 Response

Assistance in the provision of urgent efforts to slow down and limit the spread of COVID-19 through:

- (a) supporting Georgia's health sector by strengthening disease surveillance systems and epidemiological capacities of selected public health laboratories to facilitate early detection and confirmation of COVID-19 cases by increasing overall testing capacity and expanding the availability of critical medical supplies and equipment; and
- (b) strengthening the preparedness planning and clinical care capacity of Georgia's health systems through *inter alia*, establishing specialized care units, increasing availability of isolation facilities, increasing availability of critical medical supplies, equipment, and other related goods, and mobilizing additional resources to public and private health care facilities for effective management of cases including non-severe cases and ensuring readiness for forthcoming COVID-19 cases and treatment.

Component 2: Enabling Health Measures to Contain the COVID-19 Outbreak Through Temporary Income Support for Poor Households and Vulnerable Individuals

Assistance in the provision of social assistance and financial support to households and individuals affected directly or indirectly by COVID-19, through:

- (a) providing financial assistance, in addition to the expansion of the assistance provided by the Targeted Social Assistance Program to additional poor and vulnerable households; and
- (b) providing temporary financial assistance to selected Formal Workers and Self-Employed Persons, whose employment is directly or indirectly affected due to the measures adopted to contain the COVID-19 pandemic and who are not otherwise covered by other social protection programs.

Component 3: Project Management and Monitoring

Carrying out Project management activities, including carrying out the following: (a) financial management and procurement requirements; (b) monitoring and evaluation activities related to the Project including *inter alia* monitoring, impact evaluation assessments, data collection, and spot checks of the provision of financial assistance; and (c) other tasks related to overall administration, procurement, financial management, environmental and social aspects, and communication and outreach.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Borrower shall vest the responsibility for the carrying out of the overall Project with MoILHSA, with information and support from the Revenue Service and the State Procurement Agency.
2. The Borrower, through MoILHSA, shall: (a) establish no later than thirty (30) days after the Signature Date, and thereafter maintain throughout the implementation of the Project, a Project Implementation Unit ("PIU") with composition, resources, and terms of reference acceptable to the Bank; and (b) vest responsibility for day-to-day implementation of the Project to such PIU.

B. Manuals

1. The Borrower, shall prepare and adopt no later than thirty (30) days after the Effective Date, a Project operations manual ("Project Operations Manual") containing: detailed guidelines and procedures for the implementation of the Project, including with respect to: administration and coordination, monitoring and evaluation, financial management, procurement and accounting procedures, environmental and social safeguards, anti-corruption and fraud mitigation measures, a grievance redress mechanism, provisions on Personal Data collection and processing in accordance with Law of Georgia on Personal Data Protection and good international practice, roles and responsibilities for Project implementation, including the specific roles and responsibilities of the agencies and units involved in Project implementation, and such other arrangements and procedures as shall be required for the effective implementation of the Project, in a form and substance satisfactory to the Bank and the Co-financier.
2. The Borrower, through MoILHSA and the Ministry of Finance, shall prepare and adopt no later than thirty (30) days after the Effective Date, a manual for budget and reimbursements ("Global Budget and Reimbursements Manual") related to activities for health-sector readiness under Component 1(b) of the Project, containing detailed guidelines and procedures for implementation of Component 1(b) of the Project, including with respect to: budget allocations, methodology for the estimation, review, approval, and transfer of such budget allocations, detailed reimbursement mechanisms, arrangements for the flow of funds, and such other arrangements and procedures as shall be required for the effective implementation of such activities, in form and substance satisfactory to the Bank and the Co-financier.
3. The Borrower shall carry out the Project in accordance with this Loan Agreement, the Project Operations Manual, and the Global Budget and Reimbursements Manual. Except as the Bank and the Co-financier shall otherwise agree, the Borrower shall not assign, amend, abrogate, or waive the provisions of the Project Operations Manual or the Global Budget and Reimbursements Manual without prior approval of the Bank and the Co-financier. In the event of any conflict between the provisions of the Project

Operations Manual or Global Budget and Reimbursements Manual and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

C. Data Protection

Without limitation upon Section B.1 above, in order to ensure adequate protection of Personal Data under Component 2 of the Project, the Borrower shall:

- (a) no later than sixty (60) days after the Effective Date, provide the Bank a proposed plan (“Plan of Action”) setting out the timeline and steps for carrying out the recommendations set out in the 2018 and 2019 reports from the State Audit Office of Georgia pertaining to the information system of the social assistance program and the pension program respectively, being implemented by the Social Service Agency, and such other actions necessary for the effective implementation of an information security management systems of the Social Service Agency, all in accordance with the Law of Georgia on Personal Data Protection and good international practice; and
- (b) no later than ninety (90) days after the Effective Date, adopt the Plan of Action, after taking into account recommendations of the Bank and the Co-financier, and thereafter begin to implement the Plan of Action in accordance with its terms, in a manner satisfactory to the Bank and the Co-financier.

D. Prohibited Practices.

- 1. The Borrower shall ensure that the Project is carried out in accordance with (i) the Co-Financier’s Anti-Corruption Guidelines; and (ii) the Bank’s Policy on Prohibited Practices with respect to the Prohibited Practices of “Misuse of Resources” and “Theft”, as defined therein, to the extent that such Prohibited Practices are not covered in the Co-financier’s Anti-Corruption Guidelines.
- 2. The Borrower acknowledges and agrees that the Bank may give full force and effect to the Bank’s Sanctions List and to the Co-financier’s Sanctions List in relation to the Project.

E. Environmental and Social Requirements.

- 1. The Borrower shall ensure that the Project is carried out in accordance with the Co-financier’s Environmental and Social Standards.
- 2. Without limitation to paragraph 1 above, the Borrower shall ensure that the Project is carried out in accordance with the Environmental and Social Commitment Plan, in a manner acceptable to the Bank and the Co-financier, and in particularly, in accordance to the provisions set forth in Section I.D. of Schedule II of the Co-financing Agreement.
- 3. The Borrower understands and agrees that in the event that a complaint regarding compliance with the Co-financier’s Environmental and Social Standards is received by the Bank, the Bank shall refer such complaints for investigation to the Co-financier, which shall investigate the latter through its independent accountability mechanism.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower shall furnish to the Bank each Project Report not later than forty-five (45) days after the end of each calendar quarter, covering the calendar quarter.
2. Except as may otherwise be explicitly required or permitted under this Loan Agreement or as may be explicitly requested by the Bank, in sharing any information, report or document related to the activities described in Schedule 1 of this Loan Agreement, the Borrower shall ensure that such information, report or document does not include Personal Data.

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 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank not later than forty-five days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) 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. To that end, the Borrower shall continue to engage independent auditors acceptable to the Bank, whose terms of reference, qualifications and experience shall be acceptable to the Bank.

Section III. Procurement

All goods, works, consulting services 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 Co-financier's Procurement Regulations and the Procurement Plan.

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, to finance Eligible Expenditures as set forth below in the table in paragraph A.2 of this Section.
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.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed
(1) Goods, Works, Non-Consulting services, Consulting services, Operating Costs, and Training for Components 1 and 3 of the Project		
(2) Cash Transfers and Unemployment Benefits for Component 2 of the Project		
[(3) Front-end Fee]		Amount payable pursuant to Section 2.03 of this Loan Agreement in accordance with Section 2.08(b) of the General Conditions
(4) Interest and other charges under the Loan		Amount payable pursuant to Section 2.07(c) of the General Conditions
TOTAL AMOUNT		

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee;
 - (b) for payments made prior to the date of this Loan Agreement, except as otherwise provided below in paragraph 2 of this Part B; or
 - (c) under Category (2), until the Borrower, has adopted a decree governing and establishing a framework satisfactory to the Bank for Cash Transfers and Unemployment Benefits.
2. For purposes of Section 2.05 of the General Conditions, withdrawals may be made for Retroactive Payments under Category 1, subject to the following limits.
 - (a) the Retroactive Financing Date is February 1, 2020; and
 - (b) the Retroactive Financing Limit is forty million Dollars (\$40,000,000).
3. For purposes of Section 2.05(c) of the General Conditions, and paragraph 8 of the Appendix thereto, the Closing Date is April 30, 2022.

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.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each February 15 and August 15. Beginning August 15, 2033 through August 15, 2045	3.85%
On February 15, 2046	3.75%

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.
3. (a) Amounts of the Loan withdrawn within two (2) calendar month 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.

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means 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.
2. “Borrower” means the Recipient, as said term is defined in the General Conditions.
3. “Cash Transfers” mean cash grants provided by the MoILHSA out of the proceeds of the Loan to an eligible beneficiary pursuant to eligibility criteria and requirements set forth in the Project Operations Manual for the purpose of activities referred to in Component 2(a) of Schedule 1 of this Loan Agreement.
4. “Category” means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Loan Agreement.
5. “Co-financier” means the International Bank for Reconstruction and Development.
6. “Co-financing” means, for purposes of paragraph 10 of the Appendix to the General Conditions, an amount equal to seventy three million one hundred thousand Euros ((€73,100,000) to be provided by the Co-financier to assist in financing the Project.
7. “Co-financing Agreement” means the agreement entered into by and between the Borrower and the Co-financier on May 1, 2020, providing for the Co-financing.
8. “COVID-19” means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).
9. “Environmental and Social Commitment Plan” means the environmental and social commitment plan for the Project, dated April 28, 2020 , as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Borrower shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.

10. “Environmental and Social Standards” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; and (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Co-financier.
11. “Formal Workers” means formally employed, waged, or salaried workers whose earnings are presented to the Revenue Service as personal income tax on salaries for the period of the first quarter of 2020.
12. “General Conditions” means the “Asian Infrastructure Investment Bank General Conditions for Sovereign-backed Loans”, dated March 20, 2020.
13. “Law of Georgia on Personal Data Protection” means the law of Georgia on personal data protection dated December 28, 2011.
14. “MoILHSA” means the Borrower’s Ministry of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs.
15. “Operating Costs” means the reasonable incremental expenses incurred by the Project Implementing entity on account of Project implementation, including costs related to office equipment and supplies, vehicle operation and maintenance, shipping costs, office rentals, communication and insurance costs, office administration costs, bank charges, utilities, transport costs, travel, per diem and supervision costs, and salaries including reasonable hazard/indemnity pay to health employees.
16. “Personal Data” means any information relating to an identified or identifiable individual. An identifiable individual is one who can be identified by reasonable means, directly or indirectly, by reference to an attribute or combination of attributes within the data, or combination of the data with other available information. Attributes that can be used to identify an identifiable individual include, but are not limited to, name, identification number, location data, online identifier, metadata and factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of an individual.

17. “Policy on Prohibited Practices” means, “Policy on Prohibited Practices”, dated December 8, 2016, as published by the Bank.
18. “Procurement Plan” means the Borrower’s procurement plan for the Project, provided for under Section IV of the Procurement Regulations, as such plan may be updated from time to time with the Bank and the Co-financier’s approval.
19. “Procurement Regulations” means the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017 and August 2018.
20. “Project Co-financiers’ Agreement” means the agreement to be entered into between the Bank and the Co-financier relating to the Co-financing.
21. “Revenue Service” means the Borrower’s revenue service established pursuant to the Law of Georgia “On The Revenue Service”, dated February 23, 2010.
22. “Self-Employed Persons” means persons whose income is not presented to the Revenue Service as personal income tax on salaries and those who can provide evidence of having economic activity according to the regulations of the Government of Georgia.
23. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this Loan Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.
24. “Social Service Agency” means the Borrower’s agency in charge of social assistance as established pursuant to Decree No. 13 of the Government of Georgia, dated January 9, 2020.
25. “State Procurement Agency” means the Borrower’s central agency for state procurement as established pursuant to the Law of Georgia “On Public Procurement” dated April 20, 2005.
26. Targeted Social Assistance means the social security scheme of Georgia as established under Resolution 758 issued by the Government of Georgia dated December 31, 2014 as amended from time to time.
27. “Training” means the reasonable costs associated with training under the Project, and attributable to study tours, training courses, seminars, workshops and other training activities, not included under service providers’ contracts, including costs of training materials, space and equipment rental, travel, accommodation and per diem costs of trainees and trainers, trainers’ fees, and other training related miscellaneous costs.
28. “Unemployment Benefits” mean temporary cash grants provided by MoIHLA out of the proceeds of the Loan to an eligible beneficiary pursuant to the criteria and requirements set forth in the Project Operations Manual for the purpose of activities referred to in Component 2(b) of Schedule 1 of this Loan Agreement.

