

Legal Department
NEGOTIATED CONFIDENTIAL DRAFT
NOT FOR CIRCULATION

April 28, 2020

LOAN NUMBER 9113-GE

Loan Agreement

Emergency COVID-19 Response 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”). 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 seventy three million one hundred thousand Euro (EUR 73,100,000), 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 one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance, provided that the Commitment Charge for the period beginning on the date of accrual of the Commitment Charge and ending on the date of the first anniversary of such date of accrual shall be zero percent (0%).
- 2.05. 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.
- 2.06. 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 EUR 73,100,000 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.
- 2.07. The Payment Dates are February 15 and August 15 in each year.
- 2.08. 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 and the MPA Program. 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 V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — SUSPENSION

- 4.01. The Co-financing Deadline for the effectiveness of the Co-financing Agreement is the date ninety (90) days after the Effectiveness Date.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Effectiveness Deadline is the date sixty (60) days after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower’s Representative is the Minister of Finance.

- 6.02. The Borrower’s Address is:

Ministry of Finance
16 Gorgasali Street
0114 Tbilisi
Georgia

Email: publicdebt@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

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

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 is a part of the MPA Program and consists of the following parts:

Part 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.

Part 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.

Part 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 Signature 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 form and substance satisfactory to the Bank.
2. The Borrower, through MoILHSA and the Ministry of Finance, shall prepare and adopt no later than thirty (30) days after the Signature Date, a manual for budget and reimbursements ("Global Budget and Reimbursements Manual") related to activities for health-sector readiness under Part 1 (b) of the Project, containing detailed guidelines and procedures for implementation of Part 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.
3. The Borrower shall carry out the Project in accordance with this Agreement, the Project Operations Manual, and the Global Budget and Reimbursements Manual. Except as the Bank 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. In the event of any conflict between the provisions of the Project Operations Manual or Global Budget and Reimbursements Manual and this Agreement, the provisions of this Agreement shall prevail.

C. Data Protection

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

- (a) no later than sixty (60) days after the Signature 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 Signature Date, adopt the Plan of Action, after taking into account recommendations of the Bank, and thereafter begin to implement the Plan of Action in accordance with its terms, in a manner satisfactory to the Bank.

D. Environmental and Social Standards

1. The Borrower shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.
2. Without limitation upon paragraph 1 above, the Borrower shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Bank. To this end, the Borrower shall ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and provided in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;
 - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
 - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Bank shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
4. The Borrower shall ensure that:
 - (a) all measures necessary are taken to collect, compile, and furnish to the Bank through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the ESCP and the environmental and social instruments referred to

therein, all such reports in form and substance acceptable to the Bank, setting out, inter alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and

(b) the Bank is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.

5. The Borrower shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Bank.

Section II. Project Monitoring Reporting and Evaluation

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 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 Agreement, the Borrower shall ensure that such information, report or document does not include Personal Data.

Section III. Withdrawal of Loan Proceeds

A. General.

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) each 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:

Category	Amount of the Loan Allocated (expressed in EUR)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, Works, Non-Consulting services, Consulting services, Operating Costs, and Training for Parts 1 and 3 of the Project	29,057,250	45%

(2) Cash Transfers and Unemployment Benefits for Part 2 of the Project	43,860,000	45%
(3) Front-end Fee	182,750	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(4) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 4.05 (c) of the General Conditions
TOTAL AMOUNT	73,100,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of Section III above, no withdrawal shall be made:
 - (a) for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed twenty-nine million two hundred thousand Euro (EUR 29,200,0000) may be made for payments made prior to this date but on or after February 1, 2020 for Eligible Expenditures under Category (1); and
 - (b) 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. The Closing Date is April 30, 2022.

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”).

Level Principal Repayments

Principal Payment Date	Installment Share
On each February 15 and August 15 Beginning August 15, 2033 through August 15, 2045	3.85%
On February 15, 2046	3.75%

APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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. “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 Part 2(a) of Schedule 1 of this Agreement.
3. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
4. “Co-financier” means the Asian Infrastructure Investment Bank or “AIIB”.
5. “Co-financing” means, for purposes of paragraph 16 of the Appendix to the General Conditions, an amount equivalent to one hundred million Dollars (USD 100,000,000) to be provided by the Co-financier to assist in financing the Project.
6. “Co-financing Agreement” means the agreement to be entered into between the Borrower and the Co-financier providing for the Co-financing.
7. “COVID-19” means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).
8. “Environmental and Social Commitment Plan” or “ESCP” 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.
9. “Environmental and Social Standards” or “ESSs” 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”; (x) “Environmental and Social

Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Bank.

10. “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.

11. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated December 14, 2018.

12. “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.

13. “Law of Georgia on Personal Data Protection” means the law of Georgia on personal data protection dated December 28, 2011.

14. “MPA Program” means the multiphase programmatic approach program designed to prevent, detect and respond to the threat posed by COVID-19 and strengthen national systems for public health preparedness.

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. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017 and August 2018.

18. “Revenue Service” means the Borrower’s revenue service established pursuant to the Law of Georgia “On The Revenue Service”, dated February 23, 2010.

19. “Social Service Agency” means the Borrower’s agency in charge of social assistance as established pursuant to the decree No. 13 of the Government of Georgia, dated January 9, 2020.

20. “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.

21. “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.

22. 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.

23. “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.

24. “Unemployment Benefits” mean temporary cash grants provided by MoIHLSA 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 Part 2(b) of Schedule 1 of this Agreement.