

Government of Georgia

Ordinance No 177

19 March 2020

Tbilisi

On Support Measures Developed by the Economic Team of the Government of Georgia under the Guidance of the Prime Minister of Georgia to Promote the Small, Medium and Family Hotel Industry

Article 1

1. In accordance with Article 5(f) of the Law of Georgia on the Structure, Powers and Rules of Procedure of the Government of Georgia, for the purposes of preventing economic threats caused by the pandemic of the novel coronavirus (COVID-19), the annexed State Programme, Co-financing Mechanism for Supporting the Small, Medium and Family Hotel Industry, shall be approved.

2. The Legal Entity under Public Law called Produce in Georgia within the system of the Ministry of Economy and Sustainable Development of Georgia shall ensure the implementation of respective measures within the framework of the programme approved by this Ordinance.

Article 2

This Ordinance shall enter into force upon promulgation.

Prime Minister

Giorgi Gakharia

State Programme – Co-financing Mechanism for Supporting the Small, Medium and Family Hotel Industry

Article 1 – Definition of terms

For the purposes of the State Programme, the following terms shall have the following meanings:

- a) **the Programme** – the State Programme for a Co-financing Mechanism for Supporting the Small, Medium and Family Hotel Industry;
- b) **the Ministry** – the Ministry of Economy and Sustainable Development of Georgia;
- c) **the Agency** – the LEPL Produce in Georgia within the system of the Ministry of Economy and Sustainable Development of Georgia;
- d) **business entity** – for the purposes of this Programme, a natural or a legal person registered in accordance with the Law of Georgia on Entrepreneurs at the time of submitting a request (except for legal persons established with the direct or indirect participation of the State, the Autonomous Republic of Ajara, or municipalities, and the JSC Partnership Fund), carrying out activities in the hotel industry and having signed a loan agreement with a commercial bank for the purpose of the construction, expansion, equipping, renovation, or reconstruction of a hotel;



- e) **Programme beneficiary** – a business entity which received support defined by the Programme on the conditions established thereby;
- f) **commercial bank** – a commercial bank defined in the Law of Georgia on Commercial Bank Activities, with which the Agency signed a respective agreement within the framework of this Programme;
- g) **hotel** – a building and/or a complex of buildings with its infrastructure and services (including small, medium, and family hotels, and guest houses) that is intended as a hotel and that consists of at least 4 and not more than 50 interconnected functional hotel rooms located in a single cadastre code;
- h) **hotel industry** – activities that a business entity carries out in Georgia in accordance with this Programme in a hotel located in an area in his/her/its ownership or temporary use;
- i) **loan** – a credit issued by a commercial bank to a business entity for the purpose of the construction, expansion, equipping, renovation, or reconstruction of a hotel;
- j) **the Treasury** – the Treasury Service, a state sub-agency within the governance of the Ministry of Finance of Georgia;
- k) **application** – a document to be submitted by a commercial bank to the Agency on the loans in its portfolio that meet the criteria established by the Programme;
- l) **agreement** – an agreement signed between the Agency and a commercial bank within the framework of this Programme;
- m) **re-financing** – the total or partial repayment or coverage of a current loan by a business entity with a new loan from the same or another commercial bank for the purpose of the construction, expansion, equipping, renovation, or reconstruction of a hotel;
- n) **request** – a request that a business entity files with a commercial bank for inclusion in the Programme, which shall be submitted within the period of 1 April 2020 to 1 May 2020 inclusive.

Article 2 – Aim of the Programme

The Programme aims to facilitate the small, medium and family hotel industry in Georgia by improving accessibility to funds by local hotels, and to support business entities operating in the said industry, which, due to the circumstances caused by the novel Coronavirus (COVID-19) pandemic, cannot pay the interest accrued on loans taken from commercial banks.

Article 3 – The co-financing mechanism

1. The co-financing mechanism includes the co-financing by the Agency of the annual interest accrued on loans issued by commercial banks to business entities operating in the hotel industry (calculated for loans for the period of six months following 1 March 2020), within the allocations from the State Budget for the Ministry, and in accordance with the conditions determined by the Programme. The use of financial aid within the co-financing mechanism for loans where the scheduled maturity falls after 1 March 2020 shall be allowed in relation to the said loans for the payment of the interest accrued from 1 March 2020, as well as for the payment of interest accrued before 1 March 2020.
2. The Programme shall be coordinated by the Ministry, which shall also ensure the exercise of the control by the Agency over the taking of measures determined by this Ordinance.
3. In order to effectively implement the Programme between the Agency and a commercial bank, a relevant agreement shall be concluded.
4. Beneficiaries of access to funding in the hotel industry as provided for by Article 5 of the programme approved by Ordinance No 365 of 30 May 2014 of the Government of Georgia shall not enjoy the co-financing determined by the Programme in relation to whom a 24-month period of co-financing of the loan interest by the Agency has not been completed in accordance with this Ordinance.
5. Business entities whose loans have been classified by a commercial bank in the problem loan category prior to 1 March 2020 shall not be eligible for co-financing as determined by the Programme, in accordance with the agreement between the parties and



the internal procedures of the relevant bank.

6. In consideration of the goals of the Programme, the Agency shall be entitled to set additional conditions for a commercial bank in relation to the co-financing mechanism, in respect of the contract concluded with the bank.

Article 4 – Beneficiaries of the co-financing mechanism

1. To be eligible for the Programme, a business entity shall meet the following criteria:

a) the amount of the loan approved by a commercial bank in the national currency shall not exceed GEL 1 000 000 (one million). And in the case of loans issued in a foreign currency, the loan shall not exceed

USD 300 000 (three hundred thousand), for loans approved in USD; or EUR 250 000 (two hundred fifty thousand), for loans approved in EUR;

b) the loan shall have been issued by a commercial bank prior to 1 March 2020;

c) the purpose of the loan agreement signed between the business entity and the commercial bank shall be hotel construction or expansion, the purchase of equipment, or the carrying out of repairs or reconstruction.

2. A business entity may use the co-financing of the accrued interest under the Programme where the current refinancing loan, issued by a commercial bank for the purpose of hotel construction or expansion, the purchase of equipment, or the carrying out of repairs or reconstruction, has been refinanced.

Article 5 – Process of implementation of the co-financing mechanism

1. Within the scope of the co-financing mechanism, a business entity willing to participate in the Programme shall apply to a commercial bank.

2. A commercial bank shall check the compliance of the business entity with the requirements of Article 3(5) and Article 4 of the Programme and, if the business entity meets the established criteria, send an application to the Agency.

3. In accordance with the application submitted by the commercial bank and the procedures established by the Programme, within the amount of the funds determined by Article 4(1)(a) of the Programme, the Agency shall co-finance the interest income from the monthly interest accrued on the loan issued by the commercial bank to the Programme beneficiary as of 1 March 2020, for the following 6 months, in the following amounts:

– 80 %, in the case of loans issued in the national currency;

– 70 %, in the case of loans issued in a foreign currency (only in USD or EUR).

4. If, at the moment of inclusion in the Programme, the business entity has already paid the interest accrued for any month/months within the 6-month period of implementation of the co-financing mechanism, starting from 1 March 2020, the co-financing funds provided by the Agency shall be used for covering the interest accrued on the loan in the following months.

Article 6 – Management of funds and scheme of implementation of the co-financing mechanism

1. A commercial bank is obliged to submit an application to the Agency.

2. The following information shall be included in the application to be submitted to the Agency by the commercial bank:

a) the name/identification number of the business entity that meets the Programme criteria;

b) the approved loan amount;



- c) the date of issuance of the loan;
 - d) the purpose of the loan;
 - e) the description and cadastral code of the hotel;
 - f) the number of hotel rooms;
 - g) the amount of interest accrued on the loan (which is calculated from 1 March 2020 for the following 6 calendar months);
 - h) the amount of the principal and interest of the loan paid by each business entity on a monthly basis for the 12 months prior to their inclusion in the Programme.
3. Within 30 calendar days after the submission of an appropriate application by a commercial bank to the Agency, the Agency shall transfer the amount determined by the co-financing mechanism to an account opened for that purpose at the commercial bank and in accordance with the legislation of Georgia.
4. After the Agency has transferred the funds to the said account, the commercial bank shall co-finance the accrued interest in accordance with the individual loan repayment schedule of the beneficiary.
5. A commercial bank is obliged to provide the Agency with information on deductions from the accounts, the number of beneficiaries of the co-financing mechanism, and the data determined by the agreement concluded between the bank and the Agency.
6. If, after covering the interest accrued on the account of the beneficiary specified in the application, some of the funds intended for the beneficiary is remaining on the account, the commercial bank is obliged to transfer the remaining amount to the state treasury single account and to inform the Agency thereof.

Article 7 – Monitoring of the Programme

1. The monitoring of the Programme shall be carried out by the Agency.
2. If the Agency detects inappropriate implementation of the Programme by a commercial bank and/or if a commercial bank violates other obligations determined by the Programme, the Agency shall act in accordance with procedures established by this Programme, the applicable legislation and the agreement determined by Article 3(3) of the Programme.

Article 8 – Termination of the co-financing mechanism

1. Under the Programme, the co-financing mechanism shall be terminated by the Agency on the conditions established by the Programme, upon the fulfilment by the Agency, a commercial bank and a Programme beneficiary, of their obligations under the Programme.
2. Under the Programme, the co-financing mechanism may be terminated by the Agency in other cases determined by the legislation of Georgia and the Programme.

Article 9 – Budget and financing of the Programme

1. The sources of financing of the Programme shall be allocations from the State Budget made for the Ministry.
2. The projects to be implemented under the Programme may be additionally financed with funds provided by international and donor organisations, as well as other funds permitted by the legislation of Georgia.



Article 10 – Additional conditions

1. In order to ensure the availability of the co-financing mechanism under the Programme, and in accordance with the procedures established by the Programme, the timeframe for receiving an application shall be determined by an agreement concluded between the Agency and a commercial bank.
2. Depending on the implementation of the Programme, any dispute shall be reviewed by the common courts of Georgia, in accordance with procedures established by the legislation of Georgia.

