
LOAN NUMBER 9361-GE

Loan Agreement

Kakheti Connectivity Improvement 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”), for the purpose of assisting in financing the project described in Schedule 1 to this Agreement (“Project”). 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 ninety-seven million seven hundred thousand Euros (EUR 97,700,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”), to assist in financing the 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.
- 2.05. The interest rate is the Reference Rate plus the Variable Spread, or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.06. The Payment Dates are April 15 and October 15 in each year.
- 2.07. 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. To this end the Borrower, through RD shall carry out the Project in accordance with the

provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Condition of Effectiveness consists of the following, namely that an Implementation Agreement has been executed by RD and ETCIC, in form and substance satisfactory to the Bank.
- 4.02. The Effectiveness Deadline is one hundred and twenty (120) days after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Borrower's Representative is Minister of Finance.
- 5.02. For purposes of Section 10.01 of the General Conditions: (a) the Borrower's address is:

Ministry of Finance
16 Gorgasali Street
0114 Tbilisi
Georgia; and

- (b) the Borrower's Electronic Address is:

publicdebt@mof.ge

- 5.03. For purposes of Section 10.01 of the General Conditions: (a) 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

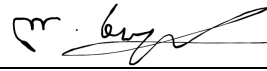
- (b) the Bank's Electronic Address is:

Telex:	Facsimile:	E-mail:
248423(MCI) or 64145(MCI)	1-202-477-6391	smolineus@worldbank.org

AGREED as of the Signature Date.

GEORGIA

By:



Authorized Representative

Name: Lasha Khutsishvili

Title: Minister

Date: 30-Mar-2022

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By:



Authorized Representative

Name: Sebastian-A Molineus

Title: Country Director for the South Caucasus

Date: 30-Mar-2022

SCHEDULE 1

Project Description

The objective of the Project is to improve connectivity and safety of road transportation in the Kakheti region along the Sagarejo-Badiauri section of the Tbilisi-Bakurtsikhe- Lagodekhi highway.

The Project consists of the following parts:

Component 1. Connectivity Improvements on the Eastern Corridor

(a) Construction of a 17 km four-lane highway section from Sagarejo to Badiauri, within the broader Tbilisi-Bakurtsikhe-Lagodekhi highway corridor, including *inter alia*, the construction of interchange, bridges (including highway and overpass bridges), underpasses, and embankments; and (b) Support for the development (including rehabilitation and road safety improvement, if applicable) of local roads and/or secondary roads, including access roads connecting local communities to their land plots and existing road network.

Component 2. Development of a new Local Marketplace

(a) Support the development of a local market near the Badiauri interchange, including preparation of the area for the marketplace, and setting up institutional arrangements for the maintenance of the market; and (b) Support provision of tailored business advice to women entrepreneurs to enable them to expand micro-businesses to the local market.

Component 3. Institutional Strengthening and Implementation Support

(a) Support Project implementation, management, and monitoring, including supporting Incremental Operating Costs; and

(b) Strengthen RD's capacity by: (i) building technical expertise in tunnel development and management; (ii) assisting road safety management initiatives including the roll-out of the iRAP program; (iii) assisting the RD develop contract management capacities in various divisions/services like construction, rehabilitation, environmental and social, legal, and procurement; (iv) assisting RD integrate information technology systems in the development of its Asset Management System; and (v) assisting with due diligence and preparatory works for developing and operating further sections of the highway network.

SCHEDULE 2

Project Execution

Section I. Project Implementation

A. Institutional and Implementation Arrangements

1. The Borrower shall ensure, and shall cause the Project to be implemented as follows, in accordance with the relevant provisions of this Agreement, the Operational Manual, the Financial Management Manual, and the Implementation Agreement:
 - (a) RD shall carry out the Project under the oversight of MRDI; and
 - (b) ETCIC shall assist and enable RD in carrying out of the Project by providing financial management functions.
2. The Borrower shall ensure that RD: (i) has adequate functions, responsibilities and resources; (ii) has qualified and experienced staff in adequate numbers; and (iii) is maintained at all times during the implementation of the Project.
3. The Borrower, through MRDI, shall operate and maintain the ETCIC with a composition, terms of reference, and resources, satisfactory to the Bank.
4. To facilitate the carrying out of Component 2 of the Project, the Borrower shall, no later than 6 months after the Effective Date, unless otherwise agreed between the Bank and Borrower, through RD enter into appropriate institutional arrangements with relevant public entities or other entities, under terms and conditions satisfactory to the Bank.

B. Manuals

1. The Borrower shall no later than 30 days after the Effective Date, unless otherwise agreed between the Bank and Borrower: (a) through RD adopt the Operational Manual (which includes the Financial Management Manual); and (b) ensure that ETCIC adopts the applicable sections of the Operational Manual (which includes the Financial Management Manual).
2. The Borrower shall ensure that the Project is carried out in accordance with the Operational Manual (which includes the Financial Management Manual).
3. The Borrower shall not amend, suspend, abrogate, repeal, or waive any provision of the Operational Manual (which includes the Financial Management Manual) without the prior written approval by the Bank. In case of conflict between the

terms of the Operational Manual (which includes the Financial Management Manual) and those of this Agreement, the terms of this Agreement shall prevail.

C. Implementation Agreement

1. To facilitate the carrying out of the Project, RD, and ETCIC shall enter into an Implementation Agreement, under terms and conditions approved by the Bank, which shall include, *inter alia*, the following:
 - (a) the proceeds of the Loan shall be made available by MRDI to ETCIC to assist RD in carrying out the Project;
 - (b) specific roles and responsibilities of RD and ETCIC, in the implementation of this Project, and such other arrangements and procedures, as shall be required for the effective implementation of the Project;
 - (c) a provision incorporating by reference all applicable provisions of the Loan Agreement and making them applicable to ETCIC, as required especially those relating to financial management, anti-corruption, and procurement;
 - (d) ETCIC shall assist RD in carrying out the Project: (i) with due diligence and efficiency and in accordance with appropriate technical, economic, financial, managerial practices; (ii) in accordance with the terms and conditions set out in the Loan Agreement, the Operational Manual, including the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower; and (iii) provide, promptly as needed, the resources required for such purpose;
 - (e) the Borrower shall have the right to suspend or terminate the rights of ETCIC to use the proceeds of the Loan, or obtain a refund of all or any part of the amount of the Loan then withdrawn, upon ETCIC's failure to perform any of its obligations under the Implementation Agreement;
 - (f) a provision stipulating that, in case of conflict between any of the provisions of the Loan Agreement and the Implementation Agreement, the provisions of the Loan Agreement shall prevail;
 - (g) except as the Bank shall otherwise agree, ETCIC shall not assign, amend, abrogate or waive the Implementation Agreement or any of its provisions.
2. Except as the Bank shall otherwise agree, RD shall not assign, amend, abrogate, or waive the Implementation Agreement or any of its provisions.

D. Environmental and Social Standards

1. **Environmental and Social Standards.** 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. **Environmental and Social Commitment Plan.** Without limitation upon paragraph 1 above, the Borrower, through RD 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, through RD shall ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and as 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. **Inconsistencies with the ESCP.** In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
4. **Monitoring and Reporting.** The Borrower, through RD 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, including any workplace accidents that result in death, serious, or multiple injury, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
- 5. **Grievance mechanism.** The Borrower, through RD, shall establish, publicize 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.
- 6. **Management of Contractors.** The Borrower, through RD, shall ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors, and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

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. The Borrower shall: (a) carry out no later than June 30, 2025, or such later date as may be established by the Bank, in consultation with the Bank, a comprehensive mid-term review of the Project, covering the progress achieved to date in the implementation of the Project; and (b) promptly following the mid-term review, prepare and thereafter implement an action plan, acceptable to the Bank, for further implementation of the Project having due regard to the findings of the mid-term review.

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, Incremental Operating Costs, and Training for the Project	97,455,750	100%
(2) Front-end Fee	244,250	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(3) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 4.05 (c) of the General Conditions
TOTAL AMOUNT	97,700,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made, for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed EUR 19,540,000 may be made for payments made prior to this date but on or after March 1, 2022 for Eligible Expenditures.
2. The Closing Date is December 31, 2027.

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 April 15 and October 15 Beginning October 15, 2034 through October 15, 2048	3.33%
On April 15, 2049	3.43%

APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 6 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. “Asset Management System” means the management system for roads, bridges, and tunnels used to inform RD’s multi-year programming and annual planning processes for such assets.
3. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
4. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project dated February 22, 2022 (including any annexes or schedules to such plan), 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.
5. “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.
6. “ETCIC” means LEPL – Eurasian Transport Corridor Investment Center established pursuant to Decree No. 153 of the Government of Georgia, dated April 3, 2015, or a successor thereto.

7. “Financial Management Manual” means the ETCIC sub-manual referred to in paragraph 1 of Section I.A of Schedule 2 of this Agreement and which forms part of the Operational Manual, acceptable to the Bank, which sets forth the detailed activities, processes and procedures related to financial management, disbursement, and other functions carried out by ETCIC to assist RD in carrying out the Project, as said manual may be updated from time to time with the agreement of the Bank.
8. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020, December 21, 2020, April 1, 2021, and January 1, 2022).
9. “Implementation Agreement” means the agreement referred to in Article IV paragraph 4.01 and Section I.C of Schedule 2 to this Agreement as such agreement may be updated or amended from time to time with the agreement of the Bank.
10. “Incremental Operating Costs” mean the reasonable and necessary incremental expenses incurred by the Borrower with respect to Project implementation, including: management and monitoring costs, salaries of contracted staff (excluding salaries of the Borrower’s civil servants), communication, editing, printing and publication, translation, vehicle operation and maintenance, bank charges, local travel costs and field trip expenses, office rentals, utilities, equipment and supplies.
11. “iRAP” means the International Road Assessment Program
12. “MRDI” means the Borrower’s Ministry of Regional Development and Infrastructure, or a successor thereto.
13. “Operational Manual” means the Borrower’s manual referred to in paragraph 1 of Section I.A of Schedule 2 of this Agreement, acceptable to the Bank, which sets forth the detailed activities, processes and procedures for the carrying out of the Project, as said manual may be updated and/or amended from time to time with the agreement of the Bank.
14. “Procurement Regulations” means, for purposes of paragraph 84 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated November 2020.
15. “RD” means the Roads Department of Georgia under MRDI, or a successor thereto.

16. “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.
17. “Training” means expenditures (other than those for consulting services) incurred in connection with study tours, training courses, seminars, workshops and other training activities, not included under goods or service providers’ contracts, including costs of training materials, space and equipment rental, travel, per diem costs for trainees and trainers and trainers’ fees (as applicable), all based on an annual budget satisfactory to the Bank.