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**LOAN NUMBER 9239-GE**

# **Loan Agreement**

**Georgia Relief and Recovery for Micro, Small, and Medium Enterprises Project**

**between**

**GEORGIA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

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## **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 eighty-five million Euros, (€85,000,000), 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.
- 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 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of the Conversion Guidelines, the interest rate basis applicable to the aggregate principal amount of the Loan withdrawn during each Interest Period shall be converted from the initial Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread 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 For the avoidance of doubt, the Borrower hereby acknowledges and agrees that certain conversion options involving a fixed spread are not available effective April 1, 2021 due to the Bank's suspension of the fixed spread terms in the Bank's loans.
- 2.08 The Payment Dates are February 15 and August 15 in each year.
- 2.09. 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 shall carry out the Project, and cause the Project to be carried out by Enterprise Georgia and the National Bank of Georgia, 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 the EG Subsidiary Agreement has been executed on behalf of the Borrower (represented by the Ministry of Finance), MOESD, MOJ, and Enterprise Georgia.
- 4.02. The Effectiveness Deadline is the date one-hundred and twenty (120) days after the Signature Date.

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

- 5.01. The Borrower's Representative is the 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

(b) the Borrower's Electronic Address is:

Email: [publicdebt@mof.ge](mailto: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**

*Lasha Khutsishvili*

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**Authorized Representative**

**Name:** Lasha Khutsishvili

**Title:** Minister

**Date:** 17-May-2021

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

**By**

*Sebastian-A Molineus*

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**Authorized Representative**

**Name:** Sebastian-A Molineus

**Title:** Country Director for the South Caucasus

**Date:** 17-May-2021

## SCHEDULE 1

### Project Description

The objective of the Project is to provide relief to micro, small, and medium-size enterprises and support their recovery, including by strengthening the enabling environment for access to finance.

The Project consists of the following parts:

#### **Part A: Financial relief and recovery for MSMEs**

Provision of assistance to MSMEs to address the economic shock following the COVID-19 pandemic, through:

1. strengthening of the Micro and Small Entrepreneurship Support Program under the Produce in Georgia initiative, through the provision of financial support to Eligible Firms, through *inter-alia*: (a) non-consulting services, consulting services, and Training, (b) level-1 Sub-Grants, (c) level-2 Sub-Grants [PBC 1.1], (d) level-3 Sub-Grants [PBC 1.2], and (e) level-4 Sub-Grants [PBC 1.3];
2. strengthening of Enterprise Georgia's program for co-financing of interest payments under the Produce in Georgia initiative, through the provision of financial support to MSME Beneficiaries, in collaboration with Selected PFIs, through *inter alia*: (a) level-1 Interest Co-Payments, (b) level-2 Interest Co-Payments [PBC 2.1], (c) level-3 Interest Co-Payments [PBC 2.2], and (d) level-4 Interest Co-Payments [PBC 2.3];
3. strengthening of Enterprise Georgia's Credit Guarantee Scheme for the provision of partial credit guarantees to Selected PFIs for Selected MSME Loans through *inter alia*: (a) level-1 Partial Credit Guarantees, (b) level-2 Partial Credit Guarantees [PBC 3.1], (c) level-3 Partial Credit Guarantees [PBC 3.2], and (d) level-4 Partial Credit Guarantees [PBC 3.3]; and
4. technical assistance to Enterprise Georgia and MSMEs, to assist MSMEs to adopt managerial, digital, and other practices necessary to better respond to the COVID-19 pandemic.

**Part B: Digital payments and financial infrastructure upgrading**

Strengthening Georgia’s financial infrastructure and increasing the usage of digital financial services, through:

1. establishing an instant payment system, including technical assistance for its development and operations and development of any related infrastructure;
2. establishing an electronic know-your-customer (“e-KYC”) infrastructure and know-your-customer (“KYC”) registry to facilitate identity verification allowing for increased participation of individuals and MSMEs in the financial sector; and
3. improving Georgia’s secured transactions framework, including through enhancements in the legal and regulatory framework for secured transactions, upgrading of collateral registry, and capacity building measures for intended users.

**Part C: Project management and monitoring**

Support Project implementation, management, and monitoring, including activities related to financial management, procurement, environmental and social aspects, evaluation, reporting, Incremental Operating Costs, communication, and outreach.

**Part D: Contingent Emergency Response Component**

Provision of assistance in response to an Eligible Crisis or Emergency.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

1. The Borrower shall ensure that the responsibility for overall implementation of the Project rests with MOESD, with information, assistance, and support provided by Ministry of Finance, Ministry of Justice, the Public Service Development Agency, National Agency of Public Registry, Enterprise Georgia, and the National Bank of Georgia.
2. Without limiting the generality of paragraph 1 above, and unless agreed otherwise by the Bank and the Borrower, the Borrower shall ensure, and shall cause the Project to be implemented as follows, in accordance with the relevant provisions of this Agreement, the Project Operations Manual, the Payment Systems Manual, the EG Subsidiary Agreement, and the NBG Subsidiary Agreement:
  - (a) **Enterprise Georgia.** Enterprise Georgia shall: (i) carry out Parts A and C of the Project; and (ii) carry out procurement and financial management functions to assist and enable MOESD in carrying out Parts B.2 and B.3 of the Project.
  - (b) **National Bank of Georgia.** The National Bank of Georgia shall carry out Part B.1 of the Project.
  - (c) **Contractor Organizations.** Contractor Organizations shall assist Enterprise Georgia in selecting Eligible Firms for the purpose of carrying out Part A.1 of the Project by screening MSME Applicants under the supervision of Enterprise Georgia, in accordance with the procedures and eligibility criteria set forth in the Project Operations Manual and pursuant to the respective Selection Contracts.
  - (d) **Selected PFIs.** Selected PFIs shall assist Enterprise Georgia in carrying out Parts A.2 and A.3 of the Project as follows:
    - (i) For the purposes of assisting Enterprise Georgia to carry out Part A.2 of the Project, Selected PFIs shall be responsible for conducting loan due diligence, including verifying the eligibility of MSME Applicants, and recommending selected MSME Applicants to Enterprise Georgia for the purpose of Interest Co-Payments, all in accordance with the selection criteria and procedures acceptable to the Bank set forth in the Project



Operations Manual, and pursuant to the respective Interest Co-Payment Participation Agreement.

- (ii) For the purposes of assisting Enterprise Georgia to carry out Part A.3 of the Project, Selected PFIs shall: (A) for existing MSME Loans: identify Selected MSME Loans to participate in the Credit Guarantee Scheme; (B) for new MSME Loans: conduct loan due diligence, subsequently underwrite such MSME Loans, and then identify Selected MSME Loans to participate in the Credit Guarantee Scheme; all in accordance with the eligibility criteria and procedures acceptable to the Bank set forth in the Project Operations Manual, and pursuant to the respective PCG Participation Agreement.

## **B. Manuals**

### ***Project Operations Manual***

1. The Borrower through MOESD shall: (a) adopt the Project Operations Manual; and (b) ensure that Enterprise Georgia adopts the Project Operations Manual.
2. The Borrower through MOESD shall ensure that Parts A, B.2, B.3, and C of Project are carried out in accordance with the Project Operations Manual, setting forth detailed guidelines and procedures for the implementation of the Project, including, *inter alia*:
  - (a) under Part A.1 of the Project: (i) implementation arrangements, eligibility criteria, and selection procedures to determine the Contractor Organizations; (ii) eligibility criteria and selection procedures to identify Eligible Firms; (iii) terms and conditions for the Selection Contracts between Enterprise Georgia and the Contractor Organizations; (iv) terms and conditions for the Sub-Grant Agreements between Enterprise Georgia and Eligible Firms; (v) implementation arrangements related to the Environmental and Social Standards; and (vi) implementation and other arrangements for the provision of Sub-Grants to Eligible Firms by Enterprise Georgia;
  - (b) under Part A.2 of the Project: (i) implementation arrangements, eligibility criteria, and selection procedures to determine Selected PFIs; (ii) eligibility criteria and selection procedures to identify MSME Beneficiaries; (iii) terms and conditions for the Interest Co-Payment Participation Agreement between Enterprise Georgia and Selected PFIs; (iv) when applicable, terms and conditions for the Interest Co-Payment Agreements between Enterprise Georgia and MSME Beneficiaries; (v) terms and conditions for the PFI-MSME Beneficiary Agreements between the Selected PFI and MSME Beneficiaries; (vi) implementation

arrangements for the provision of Interest Co-Payments to Selected PFIs by Enterprise Georgia; and (vii) implementation arrangements related to the Environmental and Social Standards, specifically related to the Project ESMS and the respective PFI ESMSs; and

- (c) under Part A.3 of the Project: (i) implementation arrangements, eligibility criteria, and selection procedures to determine Selected PFIs; (ii) eligibility criteria and selection procedures to identify Selected MSME Loans; (iii) terms and conditions for the PCG Participation Agreement between Enterprise Georgia and Selected PFIs; and (iv) implementation arrangements for the provision of Partial Credit Guarantees to Selected PFIs by Enterprise Georgia; (v) terms and conditions for the PFI-MSME Firm Agreements between the Selected PFI and MSME Firms; and (vi) implementation arrangements related to the Environmental and Social Standards, specifically related to the Project ESMS and the respective PFI ESMSs.
- 3. Except as the Bank shall otherwise agree, the Borrower shall ensure that MOESD and Enterprise Georgia do not amend, waive, suspend or abrogate any provision of the Project Operations Manual.
  - 4. In case of any inconsistency between any of the provisions of the Project Operations Manual and those of this Agreement, the provisions of this Agreement shall prevail.

#### ***Payment Systems Manual***

- 5. The Borrower shall ensure that: (a) the National Bank of Georgia adopts the Payment Systems Manual no later than thirty (30) days after the Signature Date; and (b) the National Bank of Georgia carries out Part B.1 of the Project in accordance with the Payment Systems Manual, setting forth detailed guidelines and procedures for the implementation of Part B.1 of the Project.
- 6. Except as the Bank shall otherwise agree, the Borrower shall ensure that the National Bank of Georgia does not amend, waive, suspend, or abrogate any provision of the Payment Systems Manual.
- 7. In case of any inconsistency between any of the provisions of the Payment Systems Manual and those of this Agreement, the provisions of this Agreement shall prevail.

#### **C. EG Subsidiary Agreement**

- 1. To facilitate the carrying out of Parts A, B.2, B.3, and C of the Project, the Borrower shall make a part of the proceeds of the Loan available to Enterprise Georgia under a subsidiary agreement between the Ministry of Finance (representing the Borrower), MOESD, Ministry of Justice, and Enterprise Georgia,

under terms and conditions approved by the Bank, which shall include the following (“EG Subsidiary Agreement”):

- (a) a part of proceeds of the Loan shall be:
  - (i) provided by the Ministry of Finance to Enterprise Georgia on grant terms to carry out Parts A and C of the Project subject to the following upper limits unless agreed otherwise by the Bank and the Borrower:
    - (A) under Part A.1(b) of the Project, the total amount to be provided as Sub-Grants shall not exceed Euros 18 million;
    - (B) under Part A.2(a) of the Project, the total amount to be provided as Interest Co-Payments shall not exceed Euros 18 million; and
    - (C) under Part A.3(a) of the Project, the total amount to be provided as Partial Credit Guarantees shall not exceed Euros 18 million; and
  - (ii) provided by the Ministry of Finance to Enterprise Georgia on grant terms to carry out procurement and financial management functions on behalf of MOESD, to enable MOESD to carry out Parts B.2 and B.3 of the Project;
- (b) unless agreed otherwise by the Bank and the Borrower, the amount to be provided out of the proceeds of the Loan for the purposes of Part A.1 of the Project by Enterprise Georgia as a Sub-Grant to an Eligible Firm under its respective Sub-Grants Agreement shall not exceed an amount equivalent to Euros 14,000;
- (c) unless agreed otherwise by the Bank and the Borrower, the amount of an MSME Loan for the purposes of:
  - (i) Part A.2 of the Project shall not exceed the equivalent of Euros 2.8 million under its respective Interest Co-Payment Agreement and PFI-MSME Beneficiary Agreement; and
  - (ii) Part A.3 of the Project shall not exceed the equivalent of Euros 1.4 million under its respective PFI-MSME Firm Agreement.
- (d) specific roles and responsibilities of the Ministries, agencies, and units involved in implementation of Parts A, B.2, B.3, and C of the Project, and such other arrangements and procedures as shall be required for the effective implementation of Parts A, B.2, B.3, and C of the Project;

- (e) Enterprise Georgia shall carry out its Respective Parts of the Project:
    - (i) with due diligence and efficiency and in accordance with appropriate technical, economic, financial, managerial, environmental and social standards and practices;
    - (ii) in accordance with the terms and conditions set out in the Loan Agreement, Environmental and Social Standards, the Project Operations 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;
  - (f) the Borrower shall have the right to suspend or terminate the rights of Enterprise Georgia 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 Enterprise Georgia's failure to perform any of its obligations under the EG Subsidiary Agreement;
  - (g) a provision stipulating that, in case of conflict between any of the provisions of the Loan Agreement and the EG Subsidiary Agreement, the provisions of the Loan Agreement shall prevail;
  - (h) Enterprise Georgia shall exercise its rights under the EG Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan; and
  - (i) except as the Bank shall otherwise agree, Enterprise Georgia shall not assign, amend, abrogate or waive the EG Subsidiary Agreement or any of its provisions.
2. The Borrower shall exercise its rights under the EG Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan.
  3. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the EG Subsidiary Agreement or any of its provisions.

**D. NBG Subsidiary Agreement**

1. To facilitate the carrying out of Part B.1 of the Project, the Borrower shall make part of the proceeds of the Loan available to the National Bank of Georgia under a subsidiary agreement between the Ministry of Finance, representing the Borrower, and the National Bank of Georgia, under terms and conditions approved by the Bank, which shall include the following ("NBG Subsidiary Agreement"):
  - (a) part of the proceeds of the Loan shall be on-granted by the Ministry of Finance to the National Bank of Georgia on grant terms to carry out Part B.1 of the Project;

- (b) the National Bank of Georgia shall carry out its Respective Part of Project:
    - (i) with due diligence and efficiency and in accordance with appropriate technical, economic, financial, managerial, environmental and social standards and practices; (ii) in accordance with the terms and conditions set out in the Loan Agreement and the Payment Systems Manual, including the Anti-Corruption Guidelines; and (iii) provide, promptly as needed, the resources required for such purpose;
  - (c) the Borrower shall have the right to suspend or terminate the rights of the National Bank of Georgia 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 the National Bank of Georgia's failure to perform any of its obligations under the NBG Subsidiary Agreement;
  - (d) a provision stipulating that, in case of conflict between any provisions of the Loan Agreement and the NBG Subsidiary Agreement, the provisions of the Loan Agreement shall prevail;
  - (e) the National Bank of Georgia shall exercise its rights under the NBG Subsidiary Agreement, within its mandate under the Organic Law of Georgia on National Bank of Georgia, in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan; and
  - (f) except as the Bank shall otherwise agree, the National Bank of Georgia shall not assign, amend, abrogate or waive the NBG Subsidiary Agreement or any of its provisions.
2. The Borrower shall exercise its rights under the NBG Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan.
  3. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the NBG Subsidiary Agreement or any of its provisions.

**E. Environmental and Social Standards**

1. The Borrower shall, and shall cause Enterprise Georgia and the National Bank of Georgia to, 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, and shall cause Enterprise Georgia and the National Bank of Georgia to, 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,

and shall cause Enterprise Georgia and the National Bank of Georgia to, ensure that:

- (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, 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. 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, and shall cause Enterprise Georgia and the National Bank of Georgia to, 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, and shall cause Enterprise Georgia and the National Bank of Georgia to, 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.

6. The Borrower 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; and (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.
7. Without limitation upon paragraph 1 above, the Borrower shall, and shall cause Enterprise Georgia:
  - (a) to carry out Parts A.2 and A.3 of the Project in conformity with the Environmental and Social Standards, including the Project ESMS; and
  - (b) to ensure that the Selected PFIs carry out their activities under Parts A.2 and A.3 of the Project in conformity with the Environmental and Social Standards, including the Project ESMS, where applicable, and their respective PFI ESMSs.

**F. Contingent Emergency Response**

1. In order to ensure the proper implementation of contingent emergency response activities under Part D of the Project (“Contingent Emergency Response Part”), the Borrower shall ensure that:
  - (a) a manual (“CERC Manual”) is prepared and adopted in form and substance acceptable to the Bank, which shall set forth detailed implementation arrangements for the Contingent Emergency Response Part, including: (i) any structures or institutional arrangements for coordinating and implementing the Contingent Emergency Response Part; (ii) specific activities which may be included in the Contingent Emergency Response Part, Eligible Expenditures required therefore (“Emergency Expenditures”), and any procedures for such inclusion; (iii) financial management arrangements for the Contingent Emergency Response Part; (iv) procurement methods and procedures for the Contingent Emergency Response Part; (v) documentation required for withdrawals of Financing amounts to finance Emergency Expenditures; (vi) a description of the environmental and social assessment and management arrangements for the Contingent Emergency Response Part; and (vii) a template Emergency Action Plan;
  - (b) the Emergency Action Plan is prepared and adopted in form and substance acceptable to the Bank;

- (c) the Emergency Response Part is carried out in accordance with the CERC Manual and the Emergency Action Plan; provided, however, that in the event of any inconsistency between the provisions of the CERC Manual or the Emergency Action Plan and this Agreement, the provisions of this Agreement shall prevail; and
  - (d) neither the CERC Manual or the Emergency Action Plan is amended, suspended, abrogated, repealed or waived without the prior written approval by the Bank.
- 2. The Borrower shall ensure that the structures and arrangements referred to in the CERC Manual are maintained throughout the implementation of the Contingent Emergency Response Part, with adequate staff and resources satisfactory to Bank.
- 3. The Borrower shall ensure that:
  - (a) the environmental and social instruments required for the Contingent Emergency Response Part are prepared, disclosed and adopted in accordance with the CERC Manual and the ESCP, and in form and substance acceptable to the Bank; and
  - (b) the Contingent Emergency Response Part is carried out in accordance with the environmental and social instruments in a manner acceptable to the Bank.
- 4. Activities under the Contingency Emergency Response Part shall be undertaken only after an Eligible Crisis or Emergency has occurred.

**Section II. Project Monitoring, Reporting and Evaluation**

The Borrower shall furnish to the Bank each Project Report not later than sixty (60) days after the end of each calendar semester, covering the calendar semester.

**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 Euro)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Sub-Grants under Part A.1 (b) of the Project, Interest Co-Payments under Part A.2 (a) of the Project; Partial Credit Guarantees under Part A.3 (a) of the Project	34,000,000	100%
(2) Sub-Grants under: (2.1) Part A.1 (c) of the Project [PBC 1.1] (2.2) Part A.1 (d) of the Project [PBC 1.2] (2.3) Part A.1 (e) of the Project [PBC 1.3]	5,600,000 2,800,000 2,800,000	100% 100% 100%
(3) Interest Co-Payments under: (3.1) Part A.2 (b) of the Project [PBC 2.1] (3.2) Part A.2 (c) of the Project [PBC 2.2] (3.3) Part A.2 (d) of the Project [PBC 2.3]	2,600,000 1,500,000 1,500,000	100% 100% 100%
(4) Partial Credit Guarantees under: (4.1) Part A.3 (b) of the Project [PBC 3.1] (4.2) Part A.3 (c) of the Project [PBC 3.2] (4.3) Part A.3 (d) of the Project [PBC 3.3]	3,400,000 3,700,000 4,100,000	100% 100% 100%
(5) Goods, non-consulting services, consulting services, and Training for Part A of the Project	6,000,000	100%
(6) Goods, non-consulting services, consulting services, and Training for Part B.1 of the Project	6,000,000	100%
(7) Goods, non-consulting services, consulting services for Parts B.2 and B.3 of the Project	6,000,000	100%
(8) Non-consulting services, consulting services, and Incremental Operating Costs for Part C of the Project	4,787,500	100%

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in Euro)</b>	<b>Percentage of Expenditures to be financed (inclusive of Taxes)</b>
(9) Emergency Expenditures under Part D of the Project	0	100%
(10) Front-end Fee	212,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(11) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 4.05 (c) of the General Conditions
<b>TOTAL AMOUNT</b>	<b>85,000,000</b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
  - (a) for payments made prior to the Signature Date, except
    - (i) for Eligible Expenditures under Categories (1) and (5), that withdrawals up to an aggregate amount not to exceed EUR 10,000,000 may be made for payments made prior to this date but on or after July 1, 2020; and
    - (ii) for Eligible Expenditures under Category (6), that withdrawals up to an aggregate amount not to exceed EUR 2,500,000 may be made for payments made prior to this date but on or after July 1, 2020.
  - (b) for Categories (1), (2), (3), (4), (5), (7) , and (8) until Enterprise Georgia and MOESD have adopted the Project Operations Manual, and subject to the provisions of paragraphs (f) to (n) below;

- (c) for Categories (1), (2), (3), and (4), until: (i) Enterprise Georgia has the necessary staffing all with terms of reference satisfactory to the Bank; (ii) Enterprise Georgia has conducted training on the Environmental and Social Standards and environmental and social instruments for Enterprise Georgia staff; and (iii) Enterprise Georgia has conducted training and awareness sessions for Contractor Organizations and Selected PFIs on the Environmental and Social Standards and environmental and social instruments; all subject to the provisions of paragraphs (f) to (n) below;
- (d) for Category (6), until the NBG Subsidiary Agreement has been executed on behalf of the Borrower (represented by the Ministry of Finance) and the National Bank of Georgia;
- (e) for Emergency Expenditures under Category (9) unless and until all of the following conditions have been met in respect of said expenditures:
  - (i) (A) the Borrower has determined that an Eligible Crisis or Emergency has occurred, and has furnished to the Bank a request to withdraw Loan amounts under Category (9); and (B) the Bank has agreed with such determination, accepted said request and notified the Borrower thereof; and
  - (ii) the Borrower has adopted the CERC Manual and Emergency Action Plan, in form and substance acceptable to the Bank.
- (f) for Category (2.1), until Enterprise Georgia has adopted a monitoring and evaluation framework satisfactory to the Bank for Part A.1 of the Project, to improve the methodology for monitoring the impact of the Micro and Small Entrepreneurship Support Program on Eligible Firms, including by improving data collection from Eligible Firms and by incorporating outcomes-based indicators;
- (g) for Category (2.2), until the Cabinet of Ministers has amended the resolution governing the Micro and Small Entrepreneurship Support Program, satisfactory to the Bank, to adopt improved eligibility criteria, specifically for Eligible Firms, based on evidence from the upgraded outcome-based monitoring and evaluation framework;
- (h) for Category (2.3), until Enterprise Georgia has adopted and made effective a program, satisfactory to the Bank, to identify Eligible Firms based on performance and provide institutional support to them for applying for commercial financing, including by connecting them with financial institutions, as further elaborated in the Project Operations Manual;

- (i) for Category (3.1), until Enterprise Georgia has adopted a monitoring and evaluation framework, satisfactory to the Bank, for Part A.2 of the Project, which improves the methodology for monitoring of the impact of the program, especially in terms of measuring the financial and economic performance of MSME Beneficiaries and the repayment performance of loans and leases, especially by improving data sharing between Selected PFIs and Enterprise Georgia and incorporating outcomes-based indicators;
- (j) for Category (3.2), until Enterprise Georgia has completed an evaluation of its program for financing of Interest Co-Payments, satisfactory to the Bank, to measure the functionality, efficiency and effectiveness of this program against its intended goals, based on financial and economic performance of MSME Beneficiaries and other relevant metrics, and as further specified in the Project Operations Manual;
- (k) for Category (3.3), until the Cabinet of Ministers has amended the resolution governing the program for financing of Interest Co-Payments, in a manner satisfactory to the Bank to adopt a revised eligibility criteria for selection of MSME Beneficiaries, including to improve targeting, based on evidence from the upgraded monitoring and evaluation framework and evaluation of the program, and as further elaborated in the Project Operations Manual;
- (l) for Category (4.1), until Enterprise Georgia has adopted measures satisfactory to the Bank, to engage with Selected PFIs, including by:
  - (i) designing and commencing a public awareness campaign, satisfactory to the Bank, to raise awareness regarding the Credit Guarantees Scheme;
  - and (ii) introducing a risk monitoring system, satisfactory to the Bank, to collect information from Selected PFIs regarding, *inter alia*, profile of Selected MSME Firms and Selected MSME Loans, financial performance of such Selected MSME Loans and overall portfolio, especially percentage of non-performing loans, and financial performance of the Selected PFIs;
- (m) for Category (4.2), until Enterprise Georgia has amended all PCG Participation Agreements in a manner satisfactory to the Bank, to specify that Enterprise Georgia has the right to impose sanctions on Selected PFIs, invoke remedies against such Selected PFIs, and terminate such PCG Participation Agreements based on the financial performance of such Selected PFIs, and as further elaborated in the Project Operations Manual; and
- (n) for Category (4.3), until Enterprise Georgia has adopted a financial modelling tool satisfactory to the Bank, to monitor the Credit Guarantees

Scheme's financial sustainability to inform any pricing changes for Part A.3 of the Project.

2. Notwithstanding the provisions of Part B.1 of this Section, if the Bank shall determine based on the evidence furnished by the Borrower under Part B.1 of this Section, that any PBC has not been achieved, the Bank may in its sole discretion, by notice to the Borrower: (a) withhold in whole or in part the amount of the Loan allocated to such PBC; (b) disburse in whole or in part the amount of the Loan allocated to such PBC at any later time if and when such PBC is actually completed, to the extent that such completion remains feasible at a later time; (c) reallocate in whole or in part any withheld amount of the Loan allocated to such PBC; or (d) cancel in whole or in part any withheld amount of the Loan allocated to such PBC.
3. The Closing Date is June 30, 2026.

**Section IV. Other Undertakings**

1. The Borrower shall ensure that Enterprise Georgia, not later than ninety (90) days after the Effective Date, has introduced a module within its existing accounting system for Project accounting and reporting, in a manner satisfactory to the Bank.

**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**

<b>Principal Payment Date</b>	<b>Installment Share</b>
On each February 15 and August 15 Beginning 15 August, 2034 through 15 August, 2046	3.85%
On 15 February, 2047	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. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
3. “CERC” means Contingent Emergency Response Component.
4. “CERC Manual” means the manual referred to in Section I.F.1(a) of Schedule 2 to this Agreement, as such manual may be updated from time to time with the agreement of the Bank, and which is an integral part of the Project Operations Manual.
5. “Contingent Emergency Response Part” means any activity or activities to be carried out under Part D of the Project to respond to an Eligible Crisis or Emergency.
6. “Contractor Organization” means a legal entity incorporated and registered in accordance with the Borrower’s laws and regulations which meets the criteria set forth in the POM, and is procured by Enterprise Georgia according to the selection process set forth in the POM.
7. “COVID-19” means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).
8. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Borrower, associated with a natural or man-made crisis or disaster.
9. “Eligible Firm” means a micro or small enterprise that meets the appropriate criteria set forth in the Project Operations Manual, and selected in accordance with the eligibility criteria and procedures set forth in the Project Operations Manual and pursuant to the respective Selection Contracts to receive Sub-Grants under Part A.1 of the Project. “Eligible Firms” means the plural thereof.
10. “Emergency Action Plan” means the plan referred to in Section I.F.1(a) of Schedule 2 to this Agreement, detailing the activities, budget, implementation plan, and monitoring and evaluation arrangements, to respond to the Eligible Crisis or Emergency.

11. “Emergency Expenditures” means any of the eligible expenditures set forth in the CERC Manual referred to in Section I.F.1(a) of Schedule 2 to this Agreement and required for the Contingent Emergency Response Part.
12. “Enterprise Georgia” or “EG” means the Legal Entity of Public Law Enterprise Georgia established through Order No 1-1/217 of the MOESD on May 29, 2017, or its successor thereto.
13. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated April 15, 2021, 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.
14. “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”; and (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Bank.
15. “ESMS” means the Environmental and Social Management System and includes the Project ESMS and the PFI ESMS. “ESMSs” means the plural thereof.
16. “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 and December 21, 2020).
17. “Incremental Operating Costs” mean operating expenditures incurred by Enterprise Georgia on account of the Project implementation, management, monitoring and evaluation, including salaries of contractual staff (but excluding



salaries of officials of the Borrower's civil service) and the associated Social Charges, office rent, office materials and supplies, utilities, communication costs, transport and vehicle maintenance costs, support for information systems, translation costs, bank charges and travel and per diem costs of the associated staff and other reasonable expenditures directly associated with implementation of the Project activities, all based on an annual budget acceptable to the Bank.

18. "Interest Co-Payment" means the funds provided to Selected PFIs on behalf of MSME Beneficiaries under Part A.2 of the Project in accordance with the eligibility criteria and procedures set forth in the Project Operations Manual and pursuant to the respective Interest Co-Payment Agreements and PFI-MSME Beneficiary Agreements as applicable.
19. "Interest Co-Payment Agreement" means the agreement between Enterprise Georgia and MSME Beneficiary referred to in Section I.B.2(b)(iv) of Schedule 2 of this Agreement.
20. "Interest Co-Payment Participation Agreement" means the agreement between Enterprise Georgia and a Selected PFI referred to in Sections I.A.2(d)(i) and I.B.2(b)(iii) of Schedule 2 of this Agreement.
21. "MSME" means micro, small, and medium size enterprises, as more specifically defined in the POM and as such definition may be updated from time to time.
22. "MSME Applicant" means an MSME that meets the appropriate application criteria set forth in the POM, and that applies to Enterprise Georgia for the purposes of Part A of the Project.
23. "MSME Beneficiary" means an MSME Applicant that meets the appropriate criteria set forth in the POM, and is selected in accordance with the eligibility criteria and procedures set forth in the POM and pursuant to the respective Interest Co-Payment Participation Agreement for the purposes of Part A.2 of the Project.
24. "MSME Loan" means a loan underwritten by Selected PFIs that meets the appropriate criteria set forth in the POM for the purposes of Parts A.2 and A.3 of the Project.
25. "National Bank of Georgia" means the National Bank of Georgia established through Organic Law of Georgia on The National Bank of Georgia on August 2, 1991, or its successor thereto.
26. "Organic Law of Georgia on National Bank of Georgia" means the legislation titled Organic Law of Georgia on the National Bank of Georgia (Document Number 1676) issued by the Parliament of Georgia on September 24, 2009, as amended from time to time.

27. “Partial Credit Guarantees” mean the risk coverage provided to Selected MSME Loans under Part A.3 of the Project in accordance with the eligibility criteria and procedures set forth in the Project Operations Manual and pursuant to the respective and PFI-MSME Firm Agreement.
28. “Payment Systems Manual” means the manual, acceptable to the Bank, adopted pursuant to Section I.B.5 of Schedule 2 of this Agreement, and setting forth detailed guidelines and procedures for carrying out Part B.1 of the Project, including, *inter alia*: 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, roles and responsibilities for Project implementation, including the specific roles and responsibilities of the any sub-units involved in Project implementation, and such other arrangements and procedures as shall be required for the effective implementation of the Project, as said manual may be amended from time to time with the agreement of the Bank.
29. “PCG Participation Agreement” means the agreement between Enterprise Georgia and a Selected PFI referred to in Sections I.A.2(d)(ii) and I.B.2(c)(iii) of Schedule 2 of this Agreement.
30. “Performance-Based Condition” or “PBC” means any of the conditions referred to in Section III.B.1 (f) through (n) of Schedule 2 of this Agreement. “Performance-Based Conditions” or “PBCs” means the plural thereof.
31. “PFI ESMS” means Environmental and Social Management System satisfactory to the Bank established by each Selected PFI for the purpose of identifying, assessing, managing and monitoring the environmental and social risks and impacts of the activities under Parts A.2 and A.3 on an ongoing basis, and includes *inter alia* the following: (i) environmental and social policy; (ii) clearly defined procedures for the identification, assessment and management of the environmental and social risks and impacts of the activities under Parts A.2 and A.3; (iii) organizational capacity and competency; (iv) monitoring and review of environmental and social risks of the activities under Parts A.2 and A.3; and (v) external communications mechanism. “PFI ESMSs” means the plural thereof.
32. “PFI-MSME Beneficiary Agreement” means the agreement between the Selected PFI and Selected MSME Beneficiary for the purposes of Part A.2 of the Project, and referred to in Section I.B.2(b)(v) of Schedule 2 of this Agreement.
33. “PFI-MSME Firm Agreement” means the agreement between the Selected PFI and the Selected MSME Firm for the purposes of Part A.2 of the Project, referred to in Section I.B.2(c)(v) of Schedule 2 of this Agreement.

34. “Procurement Regulations” means, for purposes of paragraph 87 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated November 2020.
35. “Project ESMS” means the Environmental and Social Management System satisfactory to the Bank established by Enterprise Georgia, for the purpose of identifying, assessing, managing and monitoring the environmental and social risks and impacts of the activities under Parts A.2 and A.3 on an ongoing basis, and includes *inter alia* the following: (i) environmental and social policy; (ii) clearly defined procedures for the identification, assessment and management of the environmental and social risks and impacts of the activities under Parts A.2 and A.3; (iii) organizational capacity and competency; (iv) monitoring and review of environmental and social risks of the activities under Parts A.2 and A.3; and (v) external communications mechanism. “Project ESMSs” means the plural thereof.
36. “Project Operations Manual” or “POM” means the manual, acceptable to the Bank, adopted pursuant to Section I.B.1 of Schedule 2 of this Agreement setting forth detailed guidelines and procedures for the implementation of Parts A, B.2, B.3, and C of the Project, including *inter alia*: administration and coordination, monitoring and evaluation, financial management, procurement and accounting procedures, environmental and social aspects, anti-corruption and fraud mitigation measures, grievance redress mechanisms, 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 as said manual may be amended from time to time with the agreement of the Bank.
37. “Selected MSME Firm” means an MSME that meets the appropriate criteria set forth in the POM, and selected to participate in the Credit Guarantee Scheme, in accordance with the eligibility criteria and procedures set forth in the POM and pursuant to the respective PCG Participation Agreement for the purposes of Part A.3 of the Project.
38. “Selected MSME Loan” means an MSME Loan that meets the appropriate criteria set forth in the POM, and selected to participate in the Credit Guarantee Scheme, in accordance with the eligibility criteria and procedures set forth in the POM and pursuant to the respective PCG Participation Agreement for the purposes of Part A.3 of the Project.
39. “Selected PFI” means a participating financial intermediary under Parts A.2 or A.3 of the Project, which meets the criteria set forth in the POM.

40. "Selection Contract" means an agreement between Enterprise Georgia and a Contractor Organization, referred to in Sections I.A.2(c) and I.B.2(a) of Schedule 2 of this Agreement.
41. "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.
42. "Social Charges" means any payments or contributions for health benefits, unemployment benefits, disability insurance, workers' compensation benefits, retirement (pension or social security) benefits, and life insurance, or any other benefits according to the Borrower's legislation.
43. "Sub-Grant" means the funds provided to an Eligible Firm under Part A.1 of the Project in accordance with the eligibility criteria and procedures set forth in the Project Operations Manual and pursuant to the respective Sub-Grant Agreement.
44. "Sub-Grant Agreement" means the agreement between Enterprise Georgia and an Eligible Firm, referred to in Section I.B.2(a)(iv) of Schedule 2 of this Agreement.
45. "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.