



17 April 2017

Honorable Dmitry Kumsishvili
Minister
Ministry of Finance
16 V. Gorgasali St.
0105 Tbilisi, Georgia

Dear Honorable Dmitry Kumsishvili,

Re: Acceleration of Principal Repayment of Loans from Asian Development Fund (ADF)

1. Reference is made to the loans made by the Asian Development Bank ("ADB") to Georgia ("Borrower") from the ADF as listed in Attachment 1 to this letter ("ADF Loans").
2. By a letter dated 7 March 2016 ("ADB Notification Letter"), ADB notified the Borrower that, as a result of the Borrower's graduation from access to ADF effective 1 January 2017, ADB will increase the principal due on each loan service date by 100 percent from the date of graduation, unless the Borrower and ADB agree to a revised interest rate on each ADF loan as to yield the same grant element as would be obtained under the increase of principal repayment amounts. This is based on Section 3.05 of ADB's Special Operations Loan Regulations dated 1 January 2006, which is incorporated by reference into the ADF loan agreements. This letter is included as Attachment 2 hereto.
3. By a letter dated 16 August 2016 ("Borrower Selection Letter"), the Borrower informed ADB that it selected the option of increasing the principal due on each of the ADF loans. This letter is included as Attachment 3 hereto.
4. By a letter dated 23 November 2016 (such letter, together with ADB Notification Letter, "ADB Notification Letters"), ADB informed the Borrower that the modification of principal repayment would also apply to the new Loan No. 3418-GEO(SF) for the Improving Domestic Resource Mobilization for Inclusive Growth Program – Subprogram 3. This letter is included as Attachment 4 hereto.
5. Based on the above correspondence, the revised amortization schedules for the ADF Loans attached to the ADB Notification Letters have replaced the original amortization schedules with effect from 1 January 2017. The revised amortization schedules are being disclosed on ADB's website in accordance with ADB's Public Communications Policy on disclosure and exchange of information.

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№ 90189/01			
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6. As requested, ADB has prepared this letter for the convenience of the Borrower in order to facilitate its internal processing of the modification to the repayment terms of the ADF Loans as set out in the ADB Notification Letters. This letter does not signify any limitation on, or waiver of, ADB's right to modify the repayment terms of the ADF Loans by notice to the Borrower as communicated through the ADB Notification Letters. Please countersign each of the two originals of this letter in the space indicated below. Please retain one signed original of this letter for your records and return the other to ADB.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'Sean M. O'Sullivan'.

Sean M. O'Sullivan
Director General
Central and West Asia Department

For and on behalf of
GEORGIA

A handwritten signature in dark ink, appearing to read 'Dimitry Kumsishvili'.

Name: Dimitry Kumsishvili

Designation: Minister of Finance

Date: 2 June, 2017

cc: Mr. Nikoloz Gagua
Deputy Minister
Ministry of Finance
16 V. Gorgasali St.
0105 Tbilisi, Georgia



Attachment 1

Outstanding ADF Loans to Georgia

Loan No.	Project Title
Loan No. 2441-GEO(SF)	Municipal Services Development Project
Loan No. 2469-GEO(SF)	Emergency Assistance For Post-Conflict Recovery
Loan No. 2531-GEO(SF)	Growth Recovery Support Program
Loan No. 2532-GEO(SF)	Growth Recovery Support Program
Loan No. 2534-GEO(SF)	Municipal Services Development Project – Phase 2
Loan No. 2560-GEO(SF)	Road Corridor Investment Program – Project 1
Loan No. 2655-GEO(SF)	Sustainable Urban Transport Investment Program – Project 1
Loan No. 2749-GEO(SF)	Urban Services Improvement Investment Program – Project 1
Loan No. 2807-GEO(SF)	Urban Services Improvement Investment Program – Project 2
Loan No. 2880-GEO(SF)	Sustainable Urban Transport Investment Program – Project 2
Loan No. 2974-GEO(SF)	Regional Power Transmission Enhancement Project
Loan No. 3078-GEO(SF)	Urban Services Improvement Investment Program – Project 3
Loan No. 3191-GEO(SF)	Improving Domestic Resource Mobilization For Inclusive Growth Program – Subprogram 1
Loan No. 3283-GEO(SF)	Improving Domestic Resource Mobilization For Inclusive Growth Program – Subprogram 2
Loan No. 3292-GEO(SF)	Urban Services Improvement Investment Program – Project 5
Loan No. 3418-GEO(SF)	Improving Domestic Resource Mobilization for Inclusive Growth Program – Subprogram 3



ADB Letter dated 7 March 2016

7 March 2016

Honorable Nodar Khaduri
Minister
Ministry of Finance
16 V. Gorgasali St.
0105 Tbilisi, Georgia

Dear Honorable Nodar Khaduri,

Re: Acceleration of Principal Repayment of Loans from Asian Development Fund (ADF)

1. On 2 February 2016, ADB's Board of Directors authorized ADB to exercise its option to accelerate the repayment of outstanding ADF Loans to Georgia and other countries, which either have graduated or will have graduated from ADF on 1 January 2017.
2. The loan agreements related to the loans listed in paragraph 3 below made by ADB to Georgia (the Borrower) from the ADF include a provision allowing ADB to modify the repayment terms of these loans when (i) the Borrower's gross national product per capita (per capita GNP)¹ has exceeded ADB's per capita GNP operational cutoff in respect of ADB's Special Funds resources, for five consecutive years, and (ii) the Borrower has achieved the capacity to borrow from ADB's ordinary capital resources. Under such circumstances, ADB may increase the principal due on each loan service payment date by 100% until the principal amounts of these loans have been fully repaid.
3. The provision is included (by reference to the Special Operations Loan Regulations applicable to Loans made by ADB from its Special Funds Resources dated 1 January 2006) in the loan agreements for the following loans:

Loan No.	Project Title
Loan No. 2441-GEO(SF)	Municipal Services Development Project
Loan No. 2469-GEO(SF)	Emergency Assistance For Post-Conflict Recovery
Loan No. 2531-GEO(SF)	Growth Recovery Support Program
Loan No. 2532-GEO(SF)	Growth Recovery Support Program
Loan No. 2534-GEO(SF)	Municipal Services Development Project - Phase 2
Loan No. 2560-GEO(SF)	MFF-Road Corridor Investment Program - Project 1

¹ Further to the harmonization of ADB's operational cutoff in respect of ADB's Special Funds resources with the corresponding operational cutoff of the International Development Association (IDA), ADB applies per capita gross national income (GNI) which has been adopted by IDA.



Loan No. 2655-GEO(SF)	MFF-Sustainable Urban Transport Investment Program - Tranche 1
Loan No. 2749-GEO(SF)	MFF-Urban Services Improvement Investment Program - Tranche 1
Loan No. 2807-GEO(SF)	Urban Services Improvement Investment Program -Tranche 2
Loan No. 2880-GEO(SF)	Sustainable Urban Transport Investment Program -Tranche 2 (SF)
Loan No. 2974-GEO(SF)	Regional Power Transmission Enhancement Project
Loan No. 3078-GEO(SF)	MFF-Urban Services Improvement Investment Program - Tranche 3
Loan No. 3191-GEO(SF)	Improving Domestic Resource Mobilization For Inclusive Growth Project
Loan No. 3283-GEO(SF)	Improving Domestic Resource Mobilization For Inclusive Growth Project
Loan No. 3292-GEO(SF)	MFF-Urban Services Improvement Investment Program - Tranche 5

4. ADB has determined that the conditions referred to in paragraph 2 above have been met and hereby notifies the Borrower that the principal due on each loan service payment date on or after 1 January 2017 in relation to the loans referred to in paragraph 3 above will be increased by 100 percent until the principal amount of each loan shall have been fully repaid.

5. The revised amortization schedules² of the loans referred to in paragraph 3 above are attached hereto and will replace the amounts of principal repayment due on or after 1 January 2017 of the current amortization schedules.

6. In lieu of increasing the principal amounts due on each loan service payment date, ADB may, at the request of the Borrower, charge interest at an annual rate to be agreed between the Borrower and ADB on the principal amount of the loan withdrawn and outstanding from time to time in such a manner and to such extent as to yield the same grant element as would be obtained under the increase of principal repayment amounts. Unless ADB receives such a request from the Borrower by 30 June 2016 and agrees on a revised interest rate for each loan concerned, the increase of the principal repayment amounts notified in paragraph 4 above will start on 1 January 2017.

7. The modification of the repayment terms under the provision will also be applied to new ADF loans to Georgia that may be approved by ADB prior to 1 January 2017. Georgia will select its preferred option under the provision for these new ADF loans during the loan negotiations and such option will be recorded in the minutes of loan negotiations.

² The revised amortization schedules do not affect the amounts of principal repayment due before 1 January 2017.



8. Please inform ADB of the Borrower's choice on the matters referred to in paragraphs 6 above by 30 June 2016. Please contact Ms. Im-em Unkavanich, Principal Treasury Specialist, Treasury Department of Asian Development Bank (Tel: +632 632 4704 or +632 5160; email: iunkavanich@adb.org) should you have any questions in relation to this letter.

Very truly yours,


Sean M. O'Sullivan
Director General
Central and West Asia Department

cc: Mr. David Lezhava
Deputy Minister
Ministry of Finance
16 V. Gorgasali St.
0105 Tbilisi, Georgia



საქართველოს
ფინანსთა მინისტრი
Minister of Finance
of Georgia

Borrower Letter dated 16 August 2016

Attachment 3

№ 07-01/75584
16.08.2016

Mr. Sean M. O'Sullivan
Director General
Central and West Asia Department

Dear Mr. Sean M. O'Sullivan,

In response to your letter dated March 7, 2016, regarding acceleration of repayment of outstanding loans from Asian Development Fund, Georgia has selected the option of increasing principal due

I would like to express my sincere appreciation to you and ADB

Best regards,

Nodar Khaduri

REVISED AMORTIZATION SCHEDULE

for

Loan No. 3191-GEO(SF): Improving Domestic Resource Mobilization For Inclusive Growth Project

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in SDR)
15 May 2020	1,964,400.00
15 November 2020	1,964,400.00
15 May 2021	1,964,400.00
15 November 2021	1,964,400.00
15 May 2022	1,964,400.00
15 November 2022	1,964,400.00
15 May 2023	1,964,400.00
15 November 2023	1,964,400.00
15 May 2024	1,964,400.00
15 November 2024	1,964,400.00
15 May 2025	1,964,400.00
15 November 2025	1,964,400.00
15 May 2026	1,964,400.00
15 November 2026	1,964,400.00
15 May 2027	1,964,400.00
15 November 2027	1,964,400.00
15 May 2028	1,964,400.00
15 November 2028	1,964,400.00
15 May 2029	1,964,400.00
15 November 2029	1,962,400.00
Total	<u>39,286,000.00</u>