
LOAN NUMBER 3418-GEO(SF)

LOAN AGREEMENT
(Special Operations)

(Improving Domestic Resource Mobilization for Inclusive Growth Program – Subprogram 3)

between

GEORGIA

and

ASIAN DEVELOPMENT BANK

DATED 1 September 2016

GEO 48044

**LOAN AGREEMENT
(Special Operations)**

LOAN AGREEMENT dated 1 september 2016 between GEORGIA ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) ADB has received from the Borrower a development policy letter dated 6 July 2016 ("Policy Letter"), setting forth certain objectives, policies and actions, described in Schedule 1 to this Loan Agreement, designed to develop the Borrower's financial sector ("Program");

(B) the Program comprises the third subprogram of a programmatic approach, as described in paragraph 1 of Schedule 1 to this Loan Agreement ("Programmatic Approach"), and the Borrower has applied to ADB for (i) a loan from ADB's ordinary capital resources; and (ii) a loan from ADB's Special Funds resources, in each case for the purposes of the Program;

(C) by an agreement of even date herewith between the Borrower and ADB ("Ordinary Operations Loan Agreement"), ADB has agreed to lend to the Borrower from ADB's ordinary capital resources an amount of fifty million Dollars (\$50,000,000) for the purposes of the Program; and

(D) ADB has agreed to make a loan to the Borrower from ADB's Special Funds resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 2.01(24) is deleted and the following is substituted therefor:

24. The term "Program" means the program for which ADB has agreed to make the Loan, as described in the Loan Agreement and as the description thereof may be amended from time to time by agreement between ADB and the Borrower.

(b) The term "Project" wherever it appears in the Loan Regulations shall be substituted by the term "Program".

(c) Section 2.01(26) is deleted and the following is substituted therefor:

26. The term "Program Executing Agency" means the entity or entities responsible for the carrying out of the Program as specified in the Loan Agreement.

(d) The term "Project Executing Agency" wherever it appears in the Loan Regulations shall be substituted by the term "Program Executing Agency".

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

(a) "Counterpart Funds" means the local currency generated from the Loan proceeds under the Program and referred to in paragraph 6 of Schedule 4 to this Loan Agreement;

(b) "Deposit Account" means the account referred to in paragraph 3 of Schedule 3 to this Loan Agreement;

(c) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2015, as amended from time to time);

(d) "MOESD" means the Ministry of Economy and Sustainable Development of the Borrower or any successor thereto;

(e) "MOF" means the Ministry of Finance of the Borrower or any successor thereto;

(f) "NBG" means the National Bank of Georgia or any successor thereto;

(g) "Policy Matrix" means the matrix of policy actions as agreed between the Borrower and ADB and included as Attachment 2 to Schedule 3 of this Loan Agreement, which sets forth actions accomplished or to be accomplished by the Borrower under the Programmatic Approach; and

(h) "Program Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means MOF or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Program.

ARTICLE II**The Loan**

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to thirty-five million eight hundred eighteen thousand Special Drawing Rights (SDR35,818,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of 2% per annum during the grace period and thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term "grace period" as used in paragraph (a) of this Section means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 1 February and 1 August in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.05. The currency of repayment of the principal of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be the Dollar.

ARTICLE III**Use of Proceeds of the Loan**

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Program in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the Loan shall be withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 December 2016 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Program, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement.

Section 4.02. As part of the reports and information referred to in Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning the implementation of the Program, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.

ARTICLE V

Effectiveness

Section 5.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations: the Ordinary Operations Loan Agreement shall have been duly executed and delivered on behalf of the Borrower and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled.

Section 5.02. The following is specified as an additional matter, for the purposes of Section 9.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB: that the Ordinary Operations Loan Agreement has been duly authorized by or ratified by, and executed and delivered on behalf of, the Borrower, and is legally binding upon the Borrower in accordance with its terms.

Section 5.03. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VI

Miscellaneous

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

Ministry of Finance
16 V. Gorgasali Street, 0114
Tbilisi, Georgia

Facsimile Number:

(99532) 2262 423.

For ADB

Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines


Facsimile Numbers:

(632) 636-2444
(632) 636-2424.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

GEORGIA

By



NODAR KHADURI
Minister of Finance

ASIAN DEVELOPMENT BANK

By



YESIM ELHAN-KAYALAR
Country Director
Georgia Resident Mission

SCHEDULE 1**Description of the Program**

1. The principal objective of the Programmatic Approach is more effective domestic resource mobilization for increased public and private investment. The Programmatic Approach comprises three subprograms and the Program is the third Subprogram. The Program is described in more detail in the Policy Letter and the Policy Matrix.

2. The Program was completed on 6 July 2016.

SCHEDULE 2

Amortization Schedule

(Improving Domestic Resource Mobilization for Inclusive Growth Program –
Subprogram 3)

DATE	Payment of Principal (expressed in Special Drawing Rights)*
01 February 2022	895,450.00
01 August 2022	895,450.00
01 February 2023	895,450.00
01 August 2023	895,450.00
01 February 2024	895,450.00
01 August 2024	895,450.00
01 February 2025	895,450.00
01 August 2025	895,450.00
01 February 2026	895,450.00
01 August 2026	895,450.00
01 February 2027	895,450.00
01 August 2027	895,450.00
01 February 2028	895,450.00
01 August 2028	895,450.00
01 February 2029	895,450.00
01 August 2029	895,450.00
01 February 2030	895,450.00
01 August 2030	895,450.00
01 February 2031	895,450.00
01 August 2031	895,450.00
01 February 2032	895,450.00
01 August 2032	895,450.00
01 February 2033	895,450.00
01 August 2033	895,450.00
01 February 2034	895,450.00
01 August 2034	895,450.00
01 February 2035	895,450.00
01 August 2035	895,450.00
01 February 2036	895,450.00
01 August 2036	895,450.00
01 February 2037	895,450.00
01 August 2037	895,450.00
01 February 2038	895,450.00
01 August 2038	895,450.00
01 February 2039	895,450.00
01 August 2039	895,450.00
01 February 2040	895,450.00
01 August 2040	895,450.00
01 February 2041	895,450.00
01 August 2041	895,450.00
TOTAL	35,818,000.00

*The arrangements for payment are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

SCHEDULE 3**Withdrawal of Loan Proceeds**

1. Except as ADB may otherwise agree, the Loan proceeds shall be withdrawn from the Loan Account in accordance with the Loan Disbursement Handbook (excluding the requirement that the Borrower submit a certificate to ADB confirming compliance with the formula set out in Section 11.14) and the following provisions of this Schedule.
2. An application for withdrawal from the Loan Account shall be submitted to ADB by the Borrower and shall be in a form satisfactory to ADB.
3. (a) Prior to submitting the first application to ADB for withdrawal from the Loan Account, the Borrower shall nominate a sub-account of the State Treasury FX account (the Deposit Account) at NBG into which all withdrawals from the Loan Account shall be deposited. The Deposit Account shall be established, managed and liquidated in accordance with terms and conditions satisfactory to ADB.

(b) Separate accounts and records in respect of the Deposit Account shall be maintained in accordance with accounting principles acceptable to ADB. Upon ADB's request, the Borrower shall have the financial statements for the Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB. Promptly after their preparation but in any event not later than 6 months after the date of ADB's request, copies of such audited financial statements and the opinion of the auditors on the financial statements, in the English language, shall be furnished to ADB.
4. No Loan proceeds shall be withdrawn to finance any item specified in Attachment 1 to this Schedule.
5. The Borrower may withdraw the Loan upon effectiveness of this Loan Agreement.

Negative List

No withdrawals will be made for the following imports:

- (i) expenditures for goods included in the following groups or sub-groups of the United Nations Standard International Trade Classification, Revision 3 (SITC, Rev. 3) or any successor groups or sub-groups under future revisions to the SITC, as designated by ADB by notice to the Borrower:

Table: Ineligible Items

Chapter	Heading	Description of Items
112		Alcoholic beverages
121		Tobacco, unmanufactured; tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitute)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), nonirradiated for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum-group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, nonmonetary (excluding gold ore and concentrates)

Source: United Nations.

- (ii) expenditures in the currency of the Borrower or for goods supplied from the territory of the Borrower;
- (iii) expenditures for goods supplied under a contract that any national or international financing institution or agency will have financed or has agreed to finance, including any contract financed under any loan or grant from the ADB;
- (iv) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;
- (v) expenditures for narcotics;
- (vi) expenditures for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party; and
- (vii) expenditures on account of any payment prohibited by the Borrower in compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

POLICY MATRIX

Policy Actions	Subprogram 1 2014	Subprogram 2 2015	Subprogram 3 2016
Output 1: Improved Management of Debt, Cash and Fiscal Risk			
Strengthened debt and cash management	MOF approves internal procedures manual for external borrowing for investment project financing and budget support describing the scheme of process including roles of NBG, MOESD, Ministry of Justice and the parliament for signing, ratification and effectivity	MOF prepares and approves a Debt Strategy for medium term debt management covering loan portfolio, goals and principles of incurring new debt and issues of debt sustainability	MOF submits to parliament any required amendments to the public debt legislation underpinning the Debt Strategy
	MOF approves procedure manuals for the processing of public debt service, debt data recording and validation for efficient debt management and monitoring process	MOF prepares an action plan to strengthen the Middle Office (analytical) function of the PDEFD for advising on terms of funding for government projects and evaluating public debt portfolio	MOF strengthens Middle Office with an upgraded debt management and risk analysis system integrated with the e-budget and e-treasury systems
Strengthened management of fiscal risk	MOF publishes on its web site: (a) information on projects and programs financed by external sources covering total loan amounts, disbursed amounts and reflected in the State Budget, and (b) a statistical bulletin on public debt presenting overall performance, treasury securities issuances and transactions on primary markets	MOF develops a systematic process for debt and loan guarantees recordkeeping, reporting and validation	MOF reports on guarantees in government's financial statements covering face value
	MOF conducts an inventory indicating fiscal position of large SOEs and their audited financial situation	MOF sets up a dedicated analytical function for cash flow forecasting with adequate budget and personnel	
	MOF develops a strategic template for monitoring	MOF establishes a dedicated staffed and budgeted function to manage fiscal risks including contingent liabilities of SOEs and PPP projects	MOF provides information on the debt of SOEs and contingent liabilities of SOEs and PPPs as a supplement to the state budget documents
		MOF establishes procedures, assigns	MOF carries out a first complete assessment of:

Policy Actions	Subprogram 1 2014	Subprogram 2 2015	Subprogram 3 2016
	and dealing with all types of fiscal risk confronting the country	<p>institutional responsibilities, and sets aside adequate human and financial resources to monitor and advise on the management of the different types of fiscal risk confronting the government</p> <p>MOF carries out a first complete assessment of:</p> <ul style="list-style-type: none"> (i) macro risk assessment; (ii) external debt sustainability analysis; and (iii) review of risk associated with loan guarantees and other similar contingent liabilities 	<ul style="list-style-type: none"> (i) financial sector risks; and (ii) assessment of fiscal risks SOEs represent
Output 2. Strengthened Revenue and Public Expenditure Management			
Increased effectiveness and efficiency of revenue collection	<p>GRS implements strengthened tax collection procedures by establishing a new dedicated and budgeted Administrative Department</p> <p>GRS approves a strategy to reduce the statutory time limitation of tax notices and taxpayer notices incrementally from 6 to 3 years to shorten tax liability imposition period providing relief to taxpayers</p> <p>GRS approves an action plan to phase out the Alternative Audit Program and to increase capacity of in-house audit, including in specialized sectors</p>	<p>GRS recovers arrears from active tax payers amounting to at least GEL80 million for the current tax year</p> <p>GRS reduces the statutory time limitation of tax notices and taxpayer notices from 6 to 5 years, shortening tax liability imposition period providing relief to taxpayers</p> <p>GRS increases the number of in-house tax auditors to 286* (out of which 147 are women), correspondingly decreasing the number of alternative auditors</p>	<p>GRS starts the process of writing off tax arrears of defunct businesses on the basis of legally approved categories</p> <p>GRS reduces the statutory time limitation of tax notices and taxpayer notices from 5 to 3 years, shortening tax liability imposition period providing relief to taxpayers</p> <p>GRS completes the phasing out of alternative auditors by increasing the number of in-house tax auditors to 330, out of which 175 are women</p>
Improved public expenditure	MOF prepares amendments to the	All cash operations of LSGs and LEPLs	

Policy Actions	Subprogram 1 2014	Subprogram 2 2015	Subprogram 3 2016
management	<p>budget code to allow for LSG and LEPL finances to be managed through the electronic PFMS and their payments and receipts through the TSA</p> <p>MOF provides supplementary information on types and funding of capital projects in the state budget documents</p>	<p>(except schools and kindergartens) are channeled through the TSA and the budgeting, budget execution and accounting processes through the PFMS</p> <p>The relevant government agencies identify gaps in the legal and regulatory framework for preparation, appraisal and implementation of public private partnership projects</p>	<p>The relevant government agencies prepare drafts of regulations to address any identified gaps in the legal and regulatory framework of public-private partnership projects and any required legal amendments</p>
Strengthening of local government finances	<p>Parliament approves the Local Self Governance Code in February 2014 paving the way for reforms in intergovernmental finances including capital transfers and special transfers</p>	<p>Government submits to parliament proposals for amendments to the Budgetary Code defining the separation of revenues among the budgets of state, autonomous regions and municipalities</p>	<p>Government ensures that intergovernmental transfers increase by GEL65 million in the current budget year</p>
Output 3. Enhanced Generation of Domestic Savings			
Streamlining Universal Pension–Zero Pillar		<p>MOESD, MOF, and MOLHSA complete forecast of present and future cost of Universal Pensions under various scenarios using Prost Modeling and other approaches</p> <p>MOESD, MOF, and MOLHSA submit to government pension system revisions which ensure continuity of equitable treatment for men and women</p>	<p>Cabinet approves the pension system revisions, including the indexation mechanism for the universal pension, and ensures continuity of equitable treatment of men and women</p>
Establishing sustainable private pension savings system with quasi-mandatory	<p>MOESD establishes a pension reform unit with adequate budget and staffing and an interagency working group to devise a time-bound</p>	<p>MOESD completes analysis of the key areas of pension system design and structure, including continued equitable treatment of</p>	<p>MOESD develops a structural and implementation framework for the Supplementary Pension Savings Scheme (pillar II), and further staffs</p>

Policy Actions	Subprogram 1 2014	Subprogram 2 2015	Subprogram 3 2016
<p>elements – Hybrid or Joint Pillar (combination of pillars II and III)</p>	<p>action plan on designing a new pension system</p> <p>MOESD issues a public notification on the broad concept and direction of pension reforms including mandatory and voluntary systems</p>	<p>men and women, and hybrid/ joint nature incorporating mandatory and voluntary dimensions</p> <p>MOESD issues consensual paper on the nature of hybrid pillar including issues like membership, contributions, tax considerations, benefits, gender, and relationships with zero pillar</p> <p>MOESD submits to Cabinet for approval a strategy and time-bound action plan for pension reforms, including legal and regulatory gaps, data privacy and tax legislation</p> <p>MOESD and MOF develop approach for public awareness programs for zero and hybrid/joint pillars, outlining specific measures for continuity of equitable treatment of men and women</p> <p>MOESD completes the review of existing structure of private pensions to incorporate any required changes in the related legislation</p>	<p>the pension reforms unit to undertake preparatory work</p> <p>MOESD drafts and submits to the Economic Council single legislation for both the quasi-mandatory Supplementary Pension Savings Scheme (pillar II) and the voluntary Supplementary Pension Savings Scheme (pillar III), as approved under the Pension Policy Reform, allowing for subsidiary legislation to be introduced later</p> <p>MOESD launches communication campaign with nation-wide public awareness drives on benefits of the supplementary private pension savings scheme, including gender aspects.</p>
Output 4. Increased Mobilization of Private resources for Investment			
Developing capital markets for mobilizing long-term finance	Government approves Socio-Economic Development Strategy of Georgia 2020 in June 2014 committing to	MOESD issues a public notification on the concept and direction of capital market reforms, including corporate	MOESD launches a public awareness campaign on benefits of capital market reform plan including investor protection,

Policy Actions	Subprogram 1 2014	Subprogram 2 2015	Subprogram 3 2016
	<p>policies to mobilize investments and develop financial intermediation</p> <p>Government together with NBG establishes an interagency working group to devise a time bound action plan on capital market reform and development</p>	<p>securities, expanding bond market and money market instruments for secured interbank trading</p> <p>MOESD submits to the Economic Council, as precursor to Cabinet, for approval a strategy and time-bound action plan for capital market reforms, including addressing legal and regulatory gaps and improving the structure and efficiency of the market infrastructure</p>	<p>financial instruments for investment, long- term savings, gender aspects and close link with pensions reforms</p> <p>MOESD completes the review of laws, bylaws, regulations on investment, governance, risk management and fund managers essential for managing investments, including private pension savings captured in a policy brief</p> <p>MOESD contributes to money market development by approving accounting and prudential regulations for repos and securities lending</p> <p>Additional: GEL denominated IFI bonds issued totaling \$100 million to increase access of local currency credit for SMEs, including (i) \$20 million by BSTDB in November 2015, (ii) \$49 million by EBRD in June 2016, and (iii) \$30 million by ADB in July 2016</p> <p>Additional: Law on Registration Fees approved by the Parliament waiving bond issuance fees by IFIs to support capital market development and securities issuance by IFIs</p> <p>Additional: To facilitate the issuance of corporate securities and align the accounting and auditing standards with EU directives, the draft Law of Accounting, Reporting and</p>

Policy Actions	Subprogram 1 2014	Subprogram 2 2015	Subprogram 3 2016
			Auditing prepared and submitted to the Economic Council
<p>Enhancing access to finance for small business financing and development with gender targeting</p>	<p>MOESD establishes the EDA with adequate staffing, work plan and budget of GEL110 million for 2014–2018 allocating GEL19 million for 2014</p> <p>MOESD establishes the Innovation and Technology Agency with adequate staffing, work plan and allocated budget of GEL20 million for 2014–2016 allocating GEL6 million for 2014</p> <p>EDA (within its budget) establishes a concept for a matching grant facility and other financial products for micro, small and medium-sized enterprises with GEL3 million with 20% earmarked for women's businesses</p> <p>GITA (within its budget) establishes financial instruments like mini grants, matching grants and innovation vouchers to support private sector innovation and technology development with GEL2 million, with 20% earmarked for women businesses</p> <p>Government adopts Gender Action Plan, which ensures equal participation of men and women in economic and business activities, equal participation in professional and business educational programs. Special attention is paid to</p>	<p>MOESD allocates a budget of GEL21 million to the Entrepreneurship Development Agency</p> <p>MOESD allocates a budget of GEL6 million to the Georgia Innovation and Technology Agency</p> <p>EDA (within its budget) expands matching grant facility for micro, small and medium-sized enterprises by GEL4 million, depending on performance/fund utilization, with 30% earmarked for women businesses</p> <p>GITA (within its budget) expands financial instruments to support private sector innovation and technology development with GEL3 million, depending on performance/fund utilization, with 30% earmarked for women businesses</p> <p>Government implements the gender action plan and publicly reports on results included in the program policy areas such as small business training and financing</p>	<p>MOESD allocates a budget of GEL25 million to the Entrepreneurship Development Agency</p> <p>MOESD allocates a budget of GEL8 million to the Georgia Innovation and Technology Agency</p> <p>EDA (within its budget) expands matching grant facility for micro, small and medium-sized enterprises by GEL5 million, depending on performance/fund utilization, with 40% financing earmarked for women businesses</p> <p>GITA (within its budget) expands financial instruments to support private sector innovation and technology development with GEL4.5 million, depending on performance/fund utilization, with 40% earmarked for women businesses</p> <p>Government implements the gender action plan and publicly reports on results included in the program policy areas such as small business training and financing</p>

Policy Actions	Subprogram 1 2014	Subprogram 2 2015	Subprogram 3 2016
	business training for women that will increase access to finance for female entrepreneurs	<p>Additional. EDA launches a new program "Produce in Georgia" targeting micro and small enterprises development in rural areas with an allocated budget of GEL20 million</p> <p>Additional. GITA creates a training and knowledge-exchange platform Geolab and a research and development fablab with a budget of GEL1.1 million</p>	

BSTDB = Black Sea Trade & Development Bank, EBRD = European Bank for Reconstruction and Development, EDA = Entrepreneurship Development Agency, EU = European Union, GDP = gross domestic product, GEL = Georgian Lari, GITA = Georgia Innovation and Technology Agency, GRS = Georgia Revenue Service, IFI = international financial institution, LEPL = legal entities of public law, LSG = local self-government, MOESD = Ministry of Economy and Sustainable Development, MOF = Ministry of Finance, MOLHSA = Ministry of Labor, Health and Social Affairs, NBG = National Bank of Georgia, PFMS = public financial management system, PDEFD = Public Debt and External Financing Department, PPP = public-private partnership, SMEs = small and medium sized enterprises, SOEs = state-owned enterprise, TSA = treasury single account.

* Bold text shows additional or overshoot targets.

SCHEDULE 4**Program Implementation and Other Matters**Implementation Arrangements

1. The MOF shall continue as the Program Executing Agency responsible for the overall implementation of the Programmatic Approach, including compliance with all policy actions, disbursements and maintaining records. The MOF and MOESD shall continue as the implementing agencies for the Programmatic Approach.

Policy Actions and Dialogue

2. The Borrower shall ensure that all policy actions adopted under the Program, as set forth in the Policy Letter and the Policy Matrix, continue to be in effect for the duration of the Programmatic Approach.

3. The Borrower shall keep ADB informed of policy discussions with other multilateral and bilateral aid agencies that may have implications for the implementation of the Programmatic Approach and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Borrower shall take into account ADB's views before finalizing and implementing any such proposal.

Use of Counterpart Funds

4. The Borrower shall ensure that the Counterpart Funds are used to support financing of the implementation of certain programs and activities consistent with the objectives of the Programmatic Approach.

Governance and Anticorruption

5. The Borrower, MOF and MOESD shall: (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Program; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

Review

6. The Borrower shall carry out a review of the Program and the Programmatic Approach with the participation of ADB. The review shall take into account experiences from Program and Programmatic Approach implementation and recommendations from other ADB assistance to the Borrower in the finance sector. The review shall form the basis for discussions between the Borrower and ADB on further reforms and measures that may be considered necessary or desirable to promote the continued development of the Borrower's financial sector.