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LOAN NUMBER 8595-GE

# Loan Agreement

(National Innovation Ecosystem Project)

between

GEORGIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated *28<sup>th</sup> March*, 2016

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**LOAN NUMBER 8595-GE**

**LOAN AGREEMENT**

Agreement dated *28<sup>th</sup> March*, 2016, 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) constitute an integral 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, on the terms and conditions set forth or referred to in this Agreement, the amount of forty million Dollars (USD 40,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement (“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 IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the

Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

- 2.06. The Payment Dates are March 15 and September 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a 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, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

### **ARTICLE III — PROJECT**

- 3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out the Project through its Georgia's Innovation and

Technology Agency (GITA), in accordance with the provisions of Article V of the General Conditions.

- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

#### **ARTICLE IV — REMEDIES OF THE BANK**

- 4.01. The Additional Event of Suspension consists of, namely, that the GITA Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Bank, the ability of the GITA to carry out the Project.
- 4.02. The Additional Event of Acceleration consists of, namely, that any event specified in Section 4.01 of this Agreement occurs.

#### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consists of the following:
- (a) the Project Operations Manual has been adopted by the Borrower, through GITA, in a manner acceptable to the Bank;
  - (b) GITA has selected a Project coordinator, procurement specialist, financial management specialist, and safeguards specialist, all with terms of reference and in a manner satisfactory to the Bank; and
  - (c) GITA has modified its accounting system software to support Project accounting and reporting, in a manner acceptable to the Bank.
- 5.02. The Effectiveness Deadline is the date one hundred and twenty (120) days after the date of this Agreement.

#### **ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Borrower's Representative is its Minister of Finance.

6.02. The Borrower's Address is:

Ministry of Finance  
16 Gorgasali Street  
0114 Tbilisi  
Georgia

Facsimile:

995322262423

6.03. The Bank's Address is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Telex:

Facsimile:

248423(MCI) or  
64145(MCI)

1-202-477-6391

AGREED at Tbilisi, Georgia, as of the day and year first above written.

GEORGIA

By



Authorized Representative

Name: NODAR KHADURI

Title: MINISTER OF FINANCE

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By



Authorized Representative

Name: Mercy Tembon

Title: Regional Director

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to increase innovative activities of firms and individuals in the Borrower's territory, and their participation in the digital economy.

The Project consists of the following parts:

#### **Part 1. Innovation Infrastructure**

(a) Develop of a network of Innovation Hubs and Innovation Centers in selected cities, towns and villages of the Borrower, as set forth in the Project Operations Manual; (b) design of a Broadband for Development Program to support the increase in adoption and use of broadband internet services and advanced information technology by Eligible Households and Eligible MSMEs, with a focus on rural areas, *inter alia*, by providing BfD Payments and related training, and preparation of the Broadband for Development Program Manual; and (c) pilot, and, as applicable, implement the Broadband for Development Program, and provide BfD Payments and related training.

#### **Part 2. Innovation Services**

Carry out outreach and communication activities, and provide training and technical assistance in support of: (a) building the innovation community of the Borrower, and organizing and carrying out innovation competitions; (b) carrying out periodic skills needs assessments of firms and developing digital economy skills of individuals; and (c) developing the innovation capacity of individuals and firms.

#### **Part 3. Innovation Financing**

(a) Provision of Matching Grants, selection of Eligible MSMEs for receipt of Matching Grants and supervision of Matching Grants; (b) provision of technical assistance to Eligible MSMEs to prepare and implement Sub-Projects; and (c) provision of technical assistance to stimulate alternative forms of innovation financing and investment in the digital economy.

#### **Part 4. Project Implementation Support**

Provision of support for Project management and fiduciary oversight, monitoring and evaluation, and impact evaluation activities.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

1. The Borrower shall vest responsibility for the day to day Project implementation activities in GITA, with terms of reference, resources and staff, all satisfactory to the Bank, and pursuant to the criteria set forth in the Project Operations Manual.
2. The Borrower shall vest overall high level strategic functions related to Project implementation to its Research and Innovation Council, including the functions of providing: (a) high-level guidance on Project implementation; and (b) inter-agency coordination.

##### B. Project Operations Manual

1. Without limitation to the provisions of Article V of the General Conditions, the Borrower, through GITA, shall carry out the Project in accordance with a manual acceptable to the Bank (the Project Operations Manual (POM)), which shall include, *inter alia*, (a) a detailed description of Project components and their implementation arrangements; (b) detailed Project cost estimates; (c) detailed financial management arrangements; (d) roles and responsibilities of staff working on the Project; and (e) the Matching Grants Manual.
2. The Borrower shall not amend, revise or waive, nor allow to be amended, revised or waived, the provisions of said POM or any part thereof without the Bank's prior written consent.
3. In the event of any inconsistency between the POM and this Agreement, the provisions of this Agreement shall prevail.

##### C. Broadband-for-Development Program Manual

1. Without limitation to the provisions of Article V of the General Conditions, the Borrower, through GITA, shall carry out Part 1(c) of the Project in accordance with a manual acceptable to the Bank (the Broadband for Development Program Manual).
2. The Borrower shall not amend, revise or waive, nor allow to be amended, revised or waived, the provisions of said Broadband for Development Program Manual or any part thereof without the Bank's prior written consent.



3. In the event of any inconsistency between the Broadband for Development Program Manual and this Agreement, the provisions of this Agreement shall prevail.

**D. Broadband for Development Program**

For purposes of carrying out Part 1(c) of the Project, the Borrower, through GITA, shall:

- (a) Select and hire a local financial institution satisfactory to the Bank, under terms of reference set forth in the Broadband for Development Program Manual, and in accordance with the provisions set forth in Section III of this Schedule, which shall be responsible for managing any applications from, and the provision of any BfD Payments to, Eligible Households and Eligible MSMEs under the Broadband for Development Program;
- (b) Ensure the provision of training under terms of reference satisfactory to the Bank and set forth in the Broadband for Development Program Manual, and in accordance with the provisions set forth in Section III of this Schedule, to Eligible Households and Eligible MSMEs participating in the Broadband for Development Program; and
- (c) Enter into appropriate arrangements with service and equipment providers, including any applicable electronics stores, information technology device manufacturers, internet service providers, and training providers, under terms and conditions acceptable to the Bank, and in accordance with the provisions set forth in Section III of this Schedule for purposes of assisting the Borrower in the implementation of the Broadband for Development Program.

**E. Anti-Corruption**

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

**F. Sub-Projects**

1. The Borrower, through GITA, shall make Matching Grants to Eligible MSMEs for the implementation of Start-up Sub-Projects or Innovation Sub-Projects (each a "Sub-Project"), in accordance with eligibility criteria and procedures acceptable to the Bank set forth in the Matching Grants Manual.
2. Upon the approval of any given Sub-Project, the Borrower, through GITA, shall provide a Matching Grant to the corresponding Eligible MSME pursuant to a Sub-

Grant Agreement on terms and conditions approved by the Bank, which shall include the following:

- (a) the Borrower, through GITA, shall obtain rights adequate to protect its interests and those of the Bank, including the right to:
  - (i) suspend or terminate use of the proceeds of a Matching Grant, or obtain a refund of all or any part of the amount of the Matching Grant then withdrawn, upon failure by the pertinent Eligible MSME to perform any of its obligations under the corresponding Sub-Grant Agreement; and
  - (ii) require each Eligible MSME to:
    - (A) carry out the pertinent Sub-Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines;
    - (B) provide, promptly as needed, the resources required for the purpose;
    - (C) procure the goods and services to be financed out of a Matching Grant in accordance with the provisions of this Agreement, and the provisions set forth in Section III of this Schedule;
    - (D) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with indicators acceptable to the Bank, the progress of the pertinent Sub-Project and the achievement of its objectives;
    - (E)
      - (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-Project; and
      - (2) at the Bank's or the Borrower's appropriate institutions', including GITA's, request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance

with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower and the Bank;

- (F) enable the Borrower's appropriate institutions, including GITA, and the Bank to inspect the respective Sub-Project, its operation and any relevant records and documents; and
  - (G) prepare and furnish to the Borrower and the Bank, all such information as the Borrower or the Bank shall reasonably request relating to the foregoing.
3. The Borrower, through GITA, shall exercise its rights and carry out its obligations under each Sub-Grant Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive, terminate or fail to enforce any Sub-Grant Agreement, or any of its provisions.

**G. Safeguards**

- (a) The Borrower shall ensure that the Project is carried out in accordance with the provisions of the ESMF, and any environmental management plans (EMPs) prepared thereunder.
- (b) The Borrower shall not assign, amend, abrogate or waive the ESMF, any EMP(s), as applicable, or any provision thereof, without the prior approval of the Bank.

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

**A. Project Reports**

The Borrower, through GITA, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators acceptable to the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.

**B. Financial Management, Financial Reports and Audits**

- 1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. The Borrower, through GITA, shall prepare and furnish to the Bank not later than forty-five (45) days after the end of each semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.
3. The Borrower, through GITA, shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

### **Section III. Procurement**

#### **A. General**

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

#### **B. Particular Methods of Procurement of Goods, Works and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:

- (a) National Competitive Bidding, subject to the additional provisions set forth below:
- (i) “Open competitive procedures” (i.e. “public tender”) shall be the default rule. A single envelope procedure shall be used for the submission of goods, works, or non-consulting services.
  - (ii) Invitations to bid shall be advertised in at least one widely circulated national daily newspaper allowing a minimum of thirty (30) days for the preparation and submission of bids. Advertisements published in foreign language newspapers shall be in compliance with such a 30-day-minimum in number of days for bids preparation and submission.
  - (iii) Bidding shall not be restricted to pre-registered firms. If registration is required, it shall not be denied to eligible bidders for reasons unrelated to their capacity and resources to successfully perform the contract (e.g., mandatory membership in professional organizations, classification, etc.). Post-qualification shall be conducted to verify that the bidder has the capability and resources to successfully perform the contract.
  - (iv) Borrower-owned enterprises in Georgia shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the Borrower. Borrower-owned enterprises will be subject to the same bid and performance security requirements as other bidders.
  - (v) Procuring entities shall use the appropriate Bank’s sample bidding documents, including pre-qualification documents, for the procurement of goods, works, or non-consulting services, and such documents shall contain draft contract and conditions of contract including clauses on fraud and corruption, audit and publication of award, all acceptable to the Bank.
  - (vi) Bids shall be opened in public, immediately after the deadline for submission of bids. Bidder’s representatives shall be permitted to attend the bid opening.
  - (vii) Extension of bid validity shall be allowed once only for not more than thirty (30) days. No further extensions shall be requested without the prior approval of the Bank.

- (viii) Evaluation of bids shall be based on quantifiable criteria expressed in monetary terms as defined in the bidding documents, no merit point system and no domestic preference shall be used in the evaluation of bids. Contracts shall be awarded to qualified bidders having submitted the lowest evaluated substantially responsive bid and no negotiations shall be carried out prior to contract award.
  - (ix) Civil works contracts of long duration (e.g. more than eighteen (18) months) shall contain an appropriate price adjustment clause, acceptable to the Bank.
  - (x) No bid shall be rejected purely on the basis that the bid price is higher than the estimated budget for that procurement. All bids shall not be rejected and new bids solicited without the Bank's prior concurrence.
- (b) Direct Contracting;
  - (c) Shopping;
  - (d) Procurement in Loans to Financial Intermediary Institutions and Entities (commercial practices); and
  - (e) Community Participation in Procurement.

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.1 - 5.5 of the Consultant Guidelines for the Selection of Individual Consultants; (g) Single-source procedures for the Selection of Individual Consultants; and (h) Selection of Consultants in Loans to Financial Intermediary Institutions and Entities (commercial practices).

**D. Review by the Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be financed (inclusive of Taxes)</b>
(1) Goods, works, non-consulting services, consultants' services, Training and/or Operating Costs (as the case may be) for the Project, including Matching Grants (excluding Part 1(c) of the Project).	31,016,000	100%
(2) Goods, non-consulting services, consultants' services, Training and/or Operating Costs (as the case may be) for Part 1(c) of the Project, including BfD Payments	8,884,000	100%

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be financed (inclusive of Taxes)</b>
(3) Front-end Fee	100,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(4) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 2.08(c) of this Agreement
<b>TOTAL AMOUNT</b>	<b><u>40,000,000</u></b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
  - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$2 million may be made for payments made prior to this date but on or after November 1, 2015 (provided, however, that no withdrawal shall be made for payments made more than one year prior to the date of this Agreement), for Eligible Expenditures under Category (1); or
  - (b) under Category (2), until the Borrower, through GITA, has prepared and adopted the Broadband for Development Program Manual in a manner acceptable to the Bank.
2. The Closing Date is April 30, 2021.



### SCHEDULE 3

#### Amortization Schedule

1. 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”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<b>Principal Payment Date</b>	<b>Installment Share (Expressed as a Percentage)</b>
On each March 15 and September 15 Beginning September 15, 2031 through September 15, 2039	5.56%
On March 15, 2040	5.48%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
  - (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
  - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as

withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

- (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
- 4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
- 5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

## APPENDIX

### Section I. Definitions

1. “Anti-Corruption Guidelines” means 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.
2. “BfD Payment” means a grant to be made out of the proceeds of the Loan to an Eligible Household or an Eligible MSME after the Borrower has certified that said Eligible Household or an Eligible MSME has successfully participated in the Broadband for Development Program, for purposes of partially financing the acquisition of electronic equipment and/or the cost related to internet connection and installation services, as applicable, as well as any applicable training, all pursuant to the criteria set forth in the Broadband for Development Program Manual.
3. “Broadband for Development Program” means the Borrower’s program referred to in Part 1(b) of the Project.
4. “Broadband for Development Program Manual” means the manual, satisfactory to the Bank, setting forth, *inter alia*, the eligibility criteria to participate in said program and the implementation arrangements related thereto, as said manual may be amended from time to time with the agreement of the Bank.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
7. “Eligible Households” means any household (comprised of one or more individual persons) which meets the criteria set forth in the Broadband for Development Program Manual to benefit under the Project.
8. “Eligible MSMEs” means any micro, small, and medium sized enterprise which meets the criteria set forth in the Broadband for Development Program Manual and the Matching Grants Manual (as the case may be) to benefit under the Project.
9. “ESMF” means the Borrower’s Environmental and Social Management Framework, publicly disclosed on January 6, 2016, in form and substance acceptable to the Bank and set forth in the POM, which contains, *inter alia*: potential environmental and social impacts; environmental and social mitigation measures to be taken during the implementation and operation of the Project to

reduce potential adverse environmental and social effects; and the Borrower's institutions responsibilities for screening and monitoring activities, as said framework may be updated from time to time with the Bank's prior written concurrence

10. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012, with the modifications set forth in Section II of this Appendix.
11. "Georgia's Innovation and Technology Agency", or GITA, means the Borrower's agency created under the MoESD, pursuant to Borrower's government's Resolution No. 172, dated February 19, 2014.
12. "GITA Legislation" means the Borrower's government's Resolution No. 172, dated February 19, 2014, as may be amended from time to time, subject to the terms of Section 4.01 of this Agreement
13. "Innovation Center" means a small physical space equipped with computers and broadband internet connection, training facilities, and other related equipment and services as described in the POM.
14. "Innovation Hub" means a physical space outfitted with computers and broadband internet connection, other related office equipment, and conference and training facilities, all pursuant to criteria set out in the POM.
15. "Innovation Sub-Project" means an investment or activity for productive purposes, with the objective of promoting the development of product, technological or business process innovations, as well as technology adoption, by an Eligible MSME, and which meets the criteria set forth in the Matching Grants Manual.
16. "Matching Grants" means a grant or non-reimbursable contribution (subsidy) made or to be made out of the proceeds of the Loan to an Eligible MSME, for the purpose of financing a portion of the cost of goods, non-consulting services, consultants' services, Training, and Operating Costs of a Start-up Sub-Project or an Innovation Sub-Project, as described in the POM.
17. "Matching Grants Manual" means the manual, satisfactory to the Bank (which is included in the POM), setting forth the procedures for selecting, appraising, approving and supervising of Sub-Projects, and the terms and conditions of Matching Grants, including, Matching Grants amounts and Eligible MSME matching amounts, as said manual may be amended from time to time with the agreement of the Bank.
18. "MoESD" means the Borrower's Ministry of Economy and Sustainable Development, or any successor thereto.

19. “Operating Costs” means the reasonable incremental expenses incurred on account of implementation of the Project, for office supplies and other consumable goods, office rent, internet connection and communications costs, support for information systems, translation costs, bank charges, utilities, reasonable travel, transportation, *per diem*, accommodation costs (lodging), and other reasonable expenditures directly associated with the implementation of the Project, as agreed between the Borrower and the Bank on the basis of semi-annual budgets acceptable to the Bank, excluding salaries of the Borrower’s civil servants.
20. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
21. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated January 29, 2016 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
22. “Project Operations Manual” or “POM” means the Borrower’s manual referred to in Section I.B of Schedule 2 to this Agreement, as said manual may be amended from time to time, with the agreement of the Bank.
23. “Research and Innovation Council” means the Borrower’s council which oversees research and innovation initiatives of the Borrower, chaired by the Prime Minister of the Borrower and established pursuant to the Borrower’s government’s Resolution No. 32, dated February 03, 2015, and which includes key ministers and other stakeholders.
24. “Start-up Sub-Project” means an investment or activity for productive purposes, with the objective of stimulating development of a new innovative start-up/early-stage Eligible MSME, and which meets the criteria set forth in the Matching Grants Manual.
25. “Sub-Grant Agreement” means the agreements referred to in Section I.F.2 of Schedule 2 to this Agreement, as the same may be amended from time to time with the agreement of the Bank.
26. “Sub-Project” means indistinctively, an Innovation Sub-Project or a Start-up Sub-Project.
27. “Training” means expenditures (other than for consultants’ services), incurred during the implementation of the Project, based on periodic budgets acceptable to the Bank, for: (i) reasonable travel, room, board and *per diem* expenditures incurred by trainers and trainees in connection with their training; (ii) course fees;

(iii) training/workshop facility and equipment rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses not otherwise covered under this definition.

**Section II. Modifications to the General Conditions**

The General Conditions are hereby modified as follows:

1. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.
2. Section 3.01. (*Front-end Fee*) is modified to read as follows:

“Section 3.01. *Front-end Fee; Commitment Charge*

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the “Front-end Fee”).

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the “Commitment Charge”). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date.”

3. In the Appendix, **Definitions**, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.
4. The Appendix is modified by inserting a new paragraph 19 with the following definition of “Commitment Charge”, and renumbering the subsequent paragraphs accordingly:

“19. “Commitment Charge” means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b).”

5. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of “Front-end Fee” is modified by replacing the reference to Section 3.01 with Section 3.01 (a).
6. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term “Loan Payment” is modified to read as follows:

“68. “Loan Payment” means any amount payable by the Loan Parties

to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower.”

7. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of “Payment Date” is modified by deleting the word “is” and inserting the words “and Commitment Charge are” after the word “interest”.