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LOAN NUMBER 8599-GE

# Loan Agreement

(Secondary Road Asset Management Project)

between

GEORGIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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

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**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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-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 objectives of the Project. To this end, the Borrower shall carry out the Project through the Roads Department (RD) 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 — EFFECTIVENESS; TERMINATION**

- 4.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Project Operations Manual has been adopted by the Borrower, through RD, in a manner and substance acceptable to the Bank; and
  - (b) The Project Implementation Agreement between RD and TRRC has been executed by, and is binding to, the parties thereto, in a manner and substance satisfactory to the Bank.
- 4.02. The Effectiveness Deadline is the date one hundred and twenty (120) days after the date of this Agreement.

### **ARTICLE V — REPRESENTATIVE; ADDRESSES**

- 5.01. The Borrower's Representative is its Minister of Finance.
- 5.02. The Borrower's Address is:

Ministry of Finance  
16 Gorgasali Street  
0114 Tbilisi  
Georgia

Facsimile:

995322262423

5.03. The Bank's Address is:

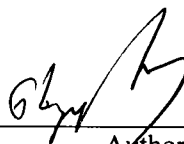
International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Telex: 248423(MCI) or 64145(MCI)      Facsimile: 1-202-477-6391

AGREED at Tbilisi, Republic of 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 objectives of the Project are: (i) to improve road users' access to social services and markets through the Project Roads in a sustainable manner; and (ii) to enhance road asset management for the Secondary Roads Network in Georgia.

The Project consists of the following parts:

#### Part 1: Secondary Road Assets Improvement and Preservation

1. Rehabilitation and/or periodic maintenance, and routine maintenance of Selected Secondary Road sections in Guria region.
2. Rehabilitation of Selected Secondary Road sections in Mtskheta-Mtianeti, Racha-Lechkhumi and Shida Kartli regions.
3. Monitoring and supervision of works contracts.

#### Part 2: Enhanced Secondary Road Assets Planning and Management

1. Capacity strengthening of RD to enhance its multi-year programming and annual planning through provision of technical assistance to support the enhancement of RAMS and RD's bridge management unit to improve: (i) data collection practices and quality; and (ii) collection and maintenance of inventory and condition data on bridges on Secondary Roads.
2. Capacity strengthening of RD to integrate road safety into road asset management through provision of technical assistance to support: (i) scaling up the use of Georgia Road Safety Assessment Program (GeoRAP) to Selected Secondary Roads in Mtskheta-Mtianeti, Racha-Lechkhumi and Shida Kartli regions; and (ii) carrying out a road safety awareness and education campaign in Guria region.
3. Capacity strengthening of RD to integrate climate resilience practices into road asset management through provision of technical assistance to support: (i) assessment of vulnerability of Selected Secondary Roads in Racha region to climate change; and (ii) development and implementation of priority climate resilient measures.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

1. The Borrower shall carry out the Project, through the RD, within the MRDI, with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, public utility, and environmental practices, in accordance with the Project Operations Manual.
2. The Borrower shall provide the RD with the resources and staff necessary for implementing the Project. The RD shall be responsible for the overall coordination and oversight of the Project implementation.
3. The Borrower, through MRDI, shall cause TRRC to provide assistance to RD on Project-related financial management and disbursement tasks in accordance with the terms of the Project Implementation Agreement.
4. The Borrower, through MRDI, shall: (a) maintain the TRRC with terms of reference, resources and staff necessary for proper Project implementation and satisfactory to the Bank; (b) require TRRC to carry out the financial management and disbursement activities for the Project in accordance with the Project Implementation Agreement; and (c) cause TRRC to hire and maintain for purposes of carrying out the Project financial audit, a financial auditor under terms of reference and conditions satisfactory to the Bank.
5. Notwithstanding the provisions of paragraph 4 of this Section, no later than 60 days from the Effective Date, the Borrower shall cause TRRC to hire, and thereafter maintain, an accountant, with terms of reference, qualifications and experience satisfactory to the Bank.
6. The MRDI, through its RD, shall maintain the FPU with terms of reference, resources and staff necessary for proper Project implementation and satisfactory to the Bank to assist RD in Project-related procurement, monitoring and evaluation, and Project reporting.
7. Without limitation to the provision of Section 5.03 of the General Conditions, the Borrower shall ensure that adequate budgetary resources are made available for the Project in the Borrower's annual budgets in respect of each year of Project implementation, in a manner acceptable to the Bank.

**B. Project Operations Manual**

1. Without limitation to the provisions of Article V of the General Conditions, the Borrower, through RD, shall: (a) carry out the Project in accordance with the Project Operations Manual (POM); and (b) 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.
2. In the event of any inconsistency between the POM and this Agreement, the provisions of this Agreement shall prevail.

**C. Project Implementation Agreement**

For purposes of coordinating the implementation of the Project, the Borrower shall cause RD, and TRRC to enter into a Project Implementation Agreement, satisfactory to the Bank, which shall include, *inter alia*, the obligations set forth under this Schedule as applicable to RD and TRRC, respectively.

**D. Anti-Corruption**

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

**E. Safeguards**

1. The Borrower shall ensure that the Project is carried out in accordance with the provisions of the ESMF, EMP(s), RPF and RAP(s). The Borrower shall not assign, amend, abrogate or waive the ESMF, EMP(s), RPF and/or RAP(s) or any provision thereof, without the prior approval of the Bank.
2. For purposes of Part 1 of the Project, the Borrower shall: (a) prior to the issuance of the bidding documents for the works contract for each segment of Selected Secondary Roads, prepare and submit to the Bank for its approval: (i) the proposed design and site for said works and, the related site-specific Environmental and Social Impact Assessment (ESIA) report, including EMP, or a self-standing EMP as relevant in form and substance satisfactory to the Bank; and (ii) the draft contract for said works to ensure that the provisions of said site-specific EMP are adequately included in said contract; (b) prior to the signing of the contract for said works which require land acquisition, prepare and submit to the Bank for its approval the site-specific RAP(s) in form and substance satisfactory to the Bank; and (c) prior to the commencement of the works, ensure that the owners and users of the land where said works are to be implemented are fully compensated in accordance with the provisions of the RAP(s).



3. The Borrower shall: (a) ensure that all activities undertaken for the purpose of carrying out of the Project comply with environmental standards and guidelines satisfactory to the Bank; (b) ensure that the selection of any road section under Part 1 of the Project is done in accordance with the provisions of the ESMF; (c) ensure the complete implementation of the EMPs in a manner acceptable to the Bank, including all necessary measures to minimize and to mitigate any adverse environmental impacts caused by the implementation of the Project; and (d) maintain the RD's environmental unit with competent staff in adequate numbers and with such responsibilities and functions acceptable to the Bank as shall enable the RD to manage, coordinate and monitor the implementation of the EMPs.
4. The Borrower shall: (a) ensure that the RD prepares RAPs according to the RPF; (b) fully implement those RAPs and allocate adequate budget for such purpose; (c) maintain or cause to be maintained by RD, and publicize or cause to be publicized by RD, the availability of grievance procedures to hear and determine fairly and in good faith, in accordance with the RPF, all complaints raised in relation to the implementation of the RAPs by those being resettled (as that term is defined in the RAP) or by those in host communities who are adversely affected by the implementation of the RPF, and take all measures necessary to implement the determinations made under such grievance procedures; (d) through RD, employ a resettlement expert, satisfactory to the Bank, to conduct an ex post review of the implementation of the RAPs; (e) through RD, furnish promptly to the Bank the findings and recommendations for follow up action resulting from each such review; and (f) through RD, implement all such recommendations for follow up action as are agreed with the Bank.

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

**A. Project Reports**

1. The Borrower shall, through RD, 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 quarter, and shall be furnished to the Bank not later than forty five (45) days after the end of the period covered by such report.
2. The Borrower shall:
  - (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with, the carrying out of the Project and the achievement of the objectives thereof;
  - (b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about August 31, 2018 or a later date as agreed with the

Bank, a mid-term report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

- (c) review with the Bank, by November 30, 2018 or a later date as agreed with the Bank, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

**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 TRRC, shall prepare and furnish to the Bank not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports (IFRs) the Project covering the quarter, in form and substance satisfactory to the Bank.
- 3. The Borrower, through RD, shall have the Project 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 months after the end of such period.

**C. Independent Performance Audit**

- 1. The Borrower shall ensure independent monitoring and evaluation of the Project, through the carrying out of an Independent Performance Audit certifying the extent to which: (a) Eligible Expenditures have been incurred in compliance with the safeguards and procurement arrangements provided for in this Agreement and under the Project Operations Manual; (b) road works have been performed in accordance with the relevant civil work contracts; (c) the Disbursement-Linked Indicators covered by the audit have been met; and (d) the Additional Instructions have been adhered to by the Borrower.
- 2. No later than one month after the end of each calendar year starting from 2018 and no later than three months before the Closing Date, the Borrower shall engage

under terms of reference and with qualifications satisfactory to the Bank, the State Audit Office, or, if requested by the Bank, a Project Audit Consultant, for purposes of carrying out an Independent Performance Audit.

3. No later than ninety days after the end of each calendar year during Project implementation starting from 2018, and 30 days before the Closing Date, the Borrower shall furnish to the Bank a complete Independent Performance Audit Report including all the findings and results from the Independent Performance Audit, as well as the certifications from the Project Audit Consultant.

### **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 table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

**Procurement Method**

(a) National Competitive Bidding, subject to the additional provisions set forth in 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) Government-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 Government. Government-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.

<b>Procurement Method</b>	
(vii)	Extension of bid validity shall be allowed once only for not more than thirty (30) days. No further extensions should 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.
(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) Shopping	
(c) Direct Contracting	

**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 table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b>Procurement Method</b>
(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 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(g) Single-source procedures for the Selection of Individual Consultants

**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) (the "Additional 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, and consultants' services for Parts 1 and 2 of the Project, and Training, for Part 2 of the Project.	39,900,000	100%
(2) 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
(3) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 2.07(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 from the Loan shall be made for payments made prior to the date of this Agreement.
2. Any Advances for any Eligible Expenditures forecasted to be incurred in the implementation of the Project under Category (1) shall be made pursuant to the Additional Instructions. Amounts withdrawn from the Loan Account under Category (1) shall not exceed the sum of amounts allocated to the DLIs as set out under the column "Total amount allocated to each achieved DLI" in the DLI Table in Schedule 4 to this Agreement.
3. Notwithstanding the provisions of Part A of this Section, and the Additional Instructions, no expenditures financed out of the proceeds of the Loan withdrawn as Advances shall be considered by the Bank or the Borrower to constitute Eligible Expenditures under Category (1) until the Borrower has furnished to the Bank supporting documentation confirming the achievement of the applicable DLI Targets set forth in Schedule 4 to this Agreement, in accordance with the

verification criteria for the achievement of such DLI Targets set forth in the Project Operations Manual, including:

- (a) through TRRC, the IFRs referred to in Section II.B.2 of this Schedule for the respective calendar quarter, reporting Eligible Expenditures, in form and substance satisfactory to the Bank; and
  - (b) through RD, the applicable Quarterly Progress Report, evidencing the achievement of the DLIs for the respective quarter.
4. Notwithstanding the Additional Instructions and the provisions of paragraphs 2 and 3 above, no withdrawal shall be made under Category (1) in any calendar year, until the Borrower through RD has furnished to the Bank the Independent Performance Audit Report for the previous calendar year, pursuant to Section II.C.3 of this Schedule 2.
5. In connection with the foregoing, the Bank may restrict withdrawals as set out below, if it determines, based on the evidence referred to in paragraphs 3 and 4 above, that the DLI Targets as set out in Schedule 4 to this Agreement, are not met or partially met:
  - (a) for DLIs 1.1, 1.2, and 1.3, the amount of the Loan to be withdrawn shall be reduced in proportion to the respective degree of DLI Target achievement in accordance with the formula set forth in the Project Operational Manual, and any unwithdrawn balance allocated to the respective DLI shall remain available for subsequent withdrawal; or
  - (b) for DLIs 2.1, 2.2, and 2.3, the total amount of the respective withdrawal request shall remain available for subsequent withdrawals, upon achievement of the respective DLI Targets; or
  - (c) without limitation to the provisions of paragraphs (a) and (b) above, any amount of the Loan withheld pursuant to said paragraphs may be cancelled by the Bank in consultation with the Borrower's Representative.
6. The Bank may, after consultation with, and by notice to the Borrower, adjust or reallocate from time to time the amounts and targets set forth in Schedule 4 of this Agreement for specific DLIs.
7. The Closing Date is December 31, 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.

**SCHEDULE 4  
DLI Table**

DLI	Unit of Measurement	Year 1	Year 2	Year 3	Year 4	Year 5	Total amount allocated to each achieved DLI
		From Effective Date to December 31, 2017	From January 1, to December 31, 2018	From January 1, to December 31, 2019	From January 1, to December 31, 2020	From January 1, to December 31, 2021	
<b>1.1. Project Roads rehabilitated and periodically maintained under OPRC</b>	Share (%) of Project Roads rehabilitated and/or periodically maintained under OPRC	40%	60%	-	-		100%
	<b>Loan amount (USD)</b>	<b>10,776,000</b>	<b>7,184,000</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>17,960,000</b>
<b>1.2. Routine maintenance targets achieved under OPRC</b>	Percentage of the aggregate OPRC amount paid for routine maintenance	On average at least 80%	On average at least 80%	On average at least 80%	On average at least 80%	On average at least 80%	
	<b>Loan amount (USD)</b>	<b>448,200</b>	<b>448,200</b>	<b>448,200</b>	<b>448,200</b>	<b>199,200</b>	<b>1,992,000</b>
<b>1.3. Targets of the Design-build Sub-program achieved</b>	Length (Km) of roads rehabilitated under Design-build Sub-program	30	24	24	22	0	100
	<b>Loan amount (USD)</b>	<b>5,567,600</b>	<b>4,130,800</b>	<b>4,130,800</b>	<b>4,130,800</b>	<b>0.00</b>	<b>17,960,000</b>

<b>2.1. Preparation of fully-costed Five-Year Rolling Program using the improved methodology</b>	Preparation of fully-costed Five-Year Rolling Program	Update of a Five-Year Rolling Program and preparation of Yr2 plan	Update of a Five-Year Rolling Program and preparation of Yr3 plan	Update of a Five-Year Rolling Program and preparation of Yr4 plan	Update of a Five-Year Rolling Program and preparation of Yr5 plan	Update of Five-Year Rolling Program and Yr6 plan	
	<b>Loan amount (USD)</b>	<b>79,800</b>	<b>79,800</b>	<b>79,800</b>	<b>79,800</b>	<b>79,800</b>	<b>399,000</b>
<b>2.2. Integration of road safety in asset management</b>	Scaling up of GeoRAP and improved GeoRAP star rating on Guria roads	-	Scaling up of GeoRAP to Mtskheta-Mtianeti	Scaling up of GeoRAP to Racha-Lechkhumi	Scaling up of GeoRAP to Shida Kartli	Better star rating on Guria secondary roads network	
	<b>Loan amount (USD)</b>	<b>0.00</b>	<b>99,750</b>	<b>99,750</b>	<b>99,750</b>	<b>99,750</b>	<b>399,000</b>
<b>2.3. Introduction of climate resilience practices in RD's road asset management</b>	Introduction of climate resilience practices in RD's road asset management	Completion of roads vulnerability assessment to climate change, mapping of climate risks and development of climate resilience measures in Racha	Implementation of priority climate resilient measures in Racha	Implementation of priority climate resilient measures in Racha	-	-	
	<b>Loan amount (USD)</b>	<b>416,500</b>	<b>416,500</b>	<b>357,000</b>	<b>0.00</b>	<b>0.00</b>	<b>1,190,000</b>
<b>TOTAL</b>							<b>39,900,000</b>

## APPENDIX

### Section I. Definitions

1. “Additional Instructions” means the additional instructions referred to in Section IV.A.1 of Schedule 2 to this Agreement, dated as of even date herewith, as such Additional Instructions may be revised from time to time by the Bank and delivered to the Borrower.
2. “Advance” means a method of disbursement used by the Bank to disburse Loan amounts from the Loan Account, pursuant to Additional Instructions.
3. “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.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “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).
6. “Design-build Sub-program” means about 100 km of secondary roads to be rehabilitated under the design-build contracts as part of RD’s Five-Year Rolling Program for Investment and Preservation of Secondary Road Assets for 2016-2020.
7. “Disbursement Linked Indicator” or “DLI” means an indicator, set forth in Schedule 4 of this Agreement, the achievement of which is a condition for disbursement of Loan Proceeds, pursuant to Section IV.B of Schedule 2 to this Agreement
8. “DLI Target” means the targets for DLI achievement set forth in Schedule 4 to this Agreement.
9. “EMP(s)” means the Borrower’s site specific environmental management plan(s), acceptable to the Bank prepared or to be prepared by the Borrower during the Project implementation in accordance with the ESMF and approved by the Bank, describing environmental mitigation, monitoring and institutional measures for selected road sections under the Project.
10. “ESIA report(s)” means the Borrower’s site specific Environmental and Social Impact Assessment report(s), acceptable to the Bank, prepared or to be prepared by the Borrower during the Project implementation in accordance with the ESMF

and approved by the Bank, providing overview of environmental and social aspects of the designed works, estimating their expected positive and negative impacts, prescribing measures for risk mitigation, and outlining environmental monitoring plan.

11. “ESMF” means the Borrower’s Environmental and Social Management Framework, dated August 2015, outlining the procedures for the environmental and social screening, impact assessment, risk management, information disclosure, consultation, and monitoring, related to the selection and rehabilitation of the road sections under the Project.
12. “Five Year Rolling Program” means RD’s Program for improvement and preservation of secondary road assets which is prepared by using RAMS and multi-criteria analysis, covering a five-year period and being updated on an annual basis.
13. “Foreign Projects Unit” or “FPU” means the division established within the RD responsible for the implementation by the Borrower of projects financed through external funding, and referred to under Section I.A.6 of Schedule 2 to this Agreement.
14. “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.
15. “Georgia Road Safety Assessment Program (GeoRAP)” means RD’s program being developed based on the International Road Assessment Program (iRAP) and adjusted to the context of Georgia to assess roads and promote significant reduction in casualties by improving the safety of road infrastructure in Georgia.
16. “Independent Performance Audit” means the annual audit referred to in Section II.C.1 of Schedule 2 to this Agreement.
17. “Independent Performance Audit Report” means the report integrating the results of the Independent Performance Audit, to be prepared and furnished to the Bank pursuant to Section II.C.3 of Schedule 2 to this Agreement.
18. “MRDI” means the Borrower’s Ministry of Regional Development and Infrastructure, or any legal successor thereto.
19. “IFR” means interim financial report.
20. “International Road Assessment Program (iRAP)” means International Road Assessment Program.
21. “OPRC” means output and performance based road contract.

22. "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).
23. "Procurement Plan" means the Borrower's procurement plan for the Project, dated February 9, 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.
24. "Project Audit Consultant" means an independent consultant in charge of carrying out the Independent Performance Audit, if requested by the Bank, pursuant to Section II.C.2 of Schedule 2 to this Agreement.
25. "Project Implementation Agreement" means the agreement between the RD and TRRC, referred to in Section I. C of Schedule 2 to this Agreement, as said agreement may be amended from time to time with the approval of the Bank.
26. "Project Operations Manual" or "POM" means the Borrower's manual, acceptable to the Bank, including all appendices and schedules thereto, and setting forth the policies and procedures that apply to the carrying out of the Project, including, *inter alia*: (a) the roles and responsibilities of the RD, FPU, TRRC; (b) the staffing requirements for the Project; (c) the criteria for selection of the Selected Secondary Roads; (d) the estimated implementation schedule; (e) the procedures for accessing, disbursing and accounting for funds under the Project; (f) the procedures for Project monitoring, supervision and evaluation, including the format and content of the Project Reports; and (g) the procurement and financial management procedures; and (h) the verification criteria for the DLIs, as said manual may be amended from time to time with the prior written approval of the Bank.
27. "Project Roads" means road sections to be financed from the proceeds of the Loan, and listed in the Project Operations Manual.
28. "Quarterly Progress Reports" means the Borrower's progress reports monitoring and evaluating the results and progress of the Project, including, specifically, DLI achievement, in accordance with the provisions of Section 5.08 of the General Conditions, covering the period of one calendar quarter and being furnished by RD to the Bank not later than forty five (45) days after the end of the period covered by such report.
29. "RAMS" means Road Asset Management System which is used to inform RD's multi-year programming and annual planning processes.

30. "RAP" or "RAPs" means the site specific resettlement action plan(s) satisfactory to the Bank, to be prepared by the Borrower pursuant to Part C of Section I of Schedule 2 to this Agreement, setting out, inter alia, the principles and objectives of the RAP, the affected persons' eligibility criteria, compensation, assistance and rehabilitation entitlements, as well as the monitoring and reporting arrangements in conformity with the RPF.
31. "Roads Department" or "RD" means Borrower's Roads Department of the Ministry of Regional Development and Infrastructure responsible for managing the Borrower's road network or any legal successor thereto.
32. "RPF" means the Borrower's resettlement policy framework, acceptable to the Bank, dated October 2015, and referred to in Part C of Section I of Schedule 2 to this Agreement, describing the policies, procedures, plans and actions (including the resettlement action plan(s)), and institutional measures related to land acquisition and other social impacts that may arise during the Project and other phases related to the Project, and satisfactory to the Bank.
33. "Safer Roads Investment Plans" means Investment Plans developed as a result of findings and recommendations of road safety assessment of specific road network using iRAP or equivalent (e.g., GeoRAP) system and suggesting specific engineering countermeasures for improvement of road safety on the concerned road network.
34. "Secondary Road" means a road which connects district capitals or other important socio-economic centers or international roads, carries lower traffic volumes than an international road and is under the management responsibility of RD.
35. "Secondary Roads Network" means a network of roads which connect district capitals or other important socio-economic centers or international roads, carry lower traffic volumes than international roads and are under the management responsibility of RD.
36. "Selected Secondary Roads" means those Project Roads selected by the Borrower in accordance with criteria set forth in the Project Operations Manual, for the carrying out of Parts 1 and 2.2 and 2.3 of the Project.
37. "State Audit Office" means the Borrower's supreme audit institution, operating pursuant to the Borrower's Law of Georgia on the State Audit Office of Georgia, No 880, adopted on December 26, 2008, and published in the Borrower's official gazette, on January 15, 2009.
38. "Training" means Project related training and workshops to be carried out according to training plans to be prepared by the Borrower and agreed to by the Bank, including 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, local travel, *per diem* costs of trainees and trainers' fees, and interpretation and translation services.

39. "TRRC" means the Borrower's Eurasian Transport Corridor Investment Center established pursuant to the Borrower's Decree #153, dated April 3, 2015, or any legal successor thereto.

**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”.