
LOAN NUMBER 8955-GE

Loan Agreement

(Innovation, Inclusion and Quality Project — GEORGIA I2Q)

between

GEORGIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between GEORGIA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower the amount of ninety million Euro (€90,000,000), ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest rate is the Reference Rate plus the Fixed Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.06. The Payment Dates are May 15 and November 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project, through MESCS, and shall cause the Project to be carried out by the Project Implementing Entity in accordance with the

provisions of Article V of the General Conditions, Schedule 2 to this Agreement and the Project Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of the following, namely that the Project Implementation Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS

- 5.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) The Project Operational Manual has been adopted in a manner satisfactory to the Bank.
 - (b) The MDF Project Operational Manual has been adopted in a manner satisfactory to the Bank.
 - (c) The Subsidiary Agreement has been executed in a manner satisfactory to the Bank.
- 5.02. The Effectiveness Deadline is the date one hundred and twenty (120) days after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is its Minister of Finance, or any successor thereto.

6.02. For purposes of Section 10.01 of the General Conditions: (a) the Borrower's address is:

Ministry of Finance
16 Gorgasali Street
0114 Tbilisi
Georgia; and

(b) the Borrower's Electronic Address is:

E-mail:
publicdebt@mof.ge

6.03. For purposes of Section 10.01 of the General Conditions: (a) the Bank's address is:

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

(b) the Bank's Electronic Address is:

Telex:	Facsimile:	E-mail:
248423(MCI) or 64145(MCI)	1-202-477-6391	mtembon@worldbank.org

AGREED as of the Signature Date.

GEORGIA

By



Authorized Representative

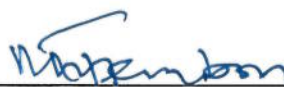
Name: Ivane Matcharariani

Title: Minister of Finance

Date: June 18, 2019

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

Name: Mercy Miyang Tembon

Title: Regional Director for the South Caucasus

Date: June 18, 2019

SCHEDULE 1

Project Description

The Project development objectives are to: (i) expand access to preschool education; and (ii) improve the quality of education and learning environments.

The Project consists of the following parts:

Part 1: Improving Quality of and Access to Early Childhood Education and Care

Support to facilitate expanded access to quality pre-school education in Selected Pre-Schools, including through the following:

- (a) Improving the quality of ECEC programs across the country.
- (b) Increasing equitable access to Pre-School education for successful transition to school.
- (c) Improving infrastructure to support innovative primary education, including Pre-School.

Part 2: Fostering Quality Teaching and Learning in General Education

Support to provide a learning environment that is conducive to quality education in Selected General Education Schools, including through the following:

- (a) Improving the educational infrastructure to support learning.
- (b) Supporting the scaling up of the whole-school improvement pilot.
- (c) Supporting capacity-building of teachers and school leaders to adapt, develop, and implement school-based curriculum.
- (d) Development of a national assessment framework.

Part 3: Strengthening Financing Options and Promoting Internationalization in Higher Education

Support to improve the quality and international competitiveness of higher education, including through the following:

- (a) Development of new options for higher education financing, including performance-based options to support the Borrower's strategic objectives.

- (b) Establishment of a competitive innovation fund for public and private universities.
- (c) Promoting internationalization of higher education.
- (d) Strengthening the quality of pre-service teacher education programs for all levels of education professionals from the inception.

Part 4: System Strengthening and Stakeholder Communication

Support to facilitate a shift in attitude towards learning, including through the following:

- (a) Supporting data-driven decision-making accessible to the entire education system.
- (b) Communication and stakeholder consultations for education reform to help the Borrower craft an effective communication strategy on the current education reforms.

Part 5: Supporting Project Management, Monitoring and Evaluations

Support capacity-building for effective management and monitoring of the Project including provision of Operating Costs, Training, outreach and awareness campaigns, consulting services, monitoring and evaluation, and Project audits; for: (a) PMT; and (b) PMU.

SCHEDULE 2

Project Execution

Section I.

A. Institutional Arrangements

1. The Borrower shall: (a) vest the overall responsibility for the implementation, coordination and monitoring of its Respective Parts of the Project in the Ministry of Education, Science, Culture and Sport (MESCS) which shall also retain the responsibility for strategic guidance and overall Project oversight; and (b) vest on the Project Implementation Entity (PIE) the implementation of its Respective Parts of the Project.
2. The Borrower, through MESCS shall establish a PMU within thirty (30) days of Effective Date under MESCS (the PMU); and delegate the responsibility for managing the day-to-day implementation of the Project to the PMU and ensure that the PMU operate and it is maintained throughout Project implementation with qualified staff in sufficient numbers, as well as adequate funds, facilities, services and other resources for Project implementation (including, procurement, financial management, environmental and social aspects and monitoring and evaluation), all acceptable to the Bank.
3. The Borrower shall cause that representatives from the MESCS and its subordinated organizations involved in the implementation of the Project, coordinate through established mechanisms the implementation of activities under the Project.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project Implementing Entity's Respective Parts of the Project, the Borrower shall make part of the proceeds of the Loan available to the Project Implementing Entity as allocated to Category (2) of the Table under Section III.A of Schedule 2 to this Agreement on a grant basis under a subsidiary agreement to be entered into between the Borrower, through the Ministry of Finance, the Ministry of Regional Development and Infrastructure (MRDI) and the Project Implementing Entity, under terms and conditions acceptable to the Bank ("Subsidiary Agreement").
2. The Borrower shall exercise its rights under the Subsidiary 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 or waive the Subsidiary Agreement or any of its provisions.

C. Implementation Arrangements

1. Project Operations Manual

Without limitation to the provisions of Article V of the General Conditions, the Borrower shall, through MESCS, ensure that: (a) the Project is carried out in accordance with the Project Operational Manual (POM), and (b) the POM, or any part thereof is not amended, waived, suspended or abrogated without the Bank's prior written concurrence, and in case of any inconsistency between the provisions of the POM and those of this Agreement, the provisions of this Agreement shall prevail.

D. Safeguards

1. The Borrower shall, through MESCS, and shall cause the Project Implementing Entity (PIE) to: (i) carry out, the Project in accordance with the provisions of the Safeguards Instruments; and (ii) ensure that any contracts for civil works under the Project incorporate the pertinent requirements of Safeguard Instruments and include codes of conduct in form and substance acceptable to the Bank, detailing, *inter alia*, measures that need to be undertaken by contractor and sub-contractors on environmental, health and safety including gender-based violence.
2. Except as the Bank shall otherwise agree, the Borrower shall ensure, through MESCS, and shall cause PIE to ensure, that none of the provisions of the Safeguard Instruments is abrogated, amended, repealed, suspended or waived. In case of any inconsistencies between the provisions of any of the Safeguard Instruments and the provisions of this Agreement, the provisions of this Agreement shall prevail.
3. The Borrower shall maintain, through MESCS, and shall cause PIE to maintain, throughout Project implementation, and publicize the availability of a grievance redress mechanism, in form and substance satisfactory to the Bank, to hear and determine fairly and in good faith all complaints raised in relation to the Project, and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Bank.
4. The Borrower shall, through MESCS and shall cause PIE to, throughout the period of Project implementation:
 - (a) take all measures necessary on its part to collect, compile and furnish to the Bank through Project Reports, and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the Safeguard Instruments, all such reports in form and substance acceptable to the Bank, setting out, among other things: (i) the status of implementation of the Safeguard Instruments; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the

Safeguard Instruments; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and

- (b) promptly notify the Bank of any incident or accident related to or having an impact on the Project, which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers.
5. The Borrower shall ensure, through MESCS, and shall cause PIE to ensure, that technical assistance under the Project, shall only be undertaken pursuant to terms of reference reviewed and found satisfactory by the Bank such terms of reference to ensure that the technical assistance takes into account, and calls for application of the Bank's Safeguard Policies.

Section II. Project Monitoring, Reporting and Evaluation

The Borrower shall, through MESCS, and shall cause the PIE to furnish to the Bank each Project Report not later than one month after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of Loan Proceeds

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to: (a) finance Eligible Expenditures; and (b) pay: (i) the Front-end Fee; and (ii) each Interest Rate Cap or Interest Rate Collar premium; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Loan Allocated (expressed in EUR)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Works, Goods, non-consulting services, consulting services, Operating Costs and Training for the Project except for Parts 1(c), Part 2(a) and Part 5 (a) for the Project	29,775,000	80%
(2) Works, Goods, non-consulting services, consulting services, Operating Costs and Training under Part 1(c), Part 2(a) and Part 5(a) for the Project	60,000,000	80%
(3) Front-end Fee	225,000	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		Amount due pursuant to Section 4.05 (c) of the General Conditions
TOTAL AMOUNT	90,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed Euro 9,000,000 may be made for payments made prior to this date but on or after March 1, 2019, for Eligible Expenditures.
2. The Closing Date is March 31, 2026.

SCHEDULE 3

Commitment-Linked Amortization Repayment Schedule

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share").

Level Principal Repayments

Principal Payment Date	Installment Share
On each May 15 and November 15 Beginning November 15, 2031 through November 15, 2045	3.33%
On May 15, 2046	3.43%

APPENDIX

Section I. Definitions

1. "Anti-Corruption Guidelines" means, for purposes of paragraph 5 of the Appendix to the General Conditions, the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
2. "Category" means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
3. "ECEC" means early childhood, education and care.
4. "Environmental and Social Management Framework" or "ESMF" means the framework for the Project prepared by the Borrower, and disclosed on the Borrower's and on MDF's respective websites on February 22, 2019, and on the Bank's website on February 25, 2019 which sets forth, *inter alia*, the modalities for site-specific environmental and social screening, including: (a) guidelines for the identification of existing environmental and social conditions and potential direct and indirect environmental and social impacts and risks resulting from the carrying out of the Project; (b) guidelines for the carrying out of environmental and social assessments and the preparation of environmental and social management plans (ESMPs), when applicable; (c) recommendation of mitigation measures for each negative impact identified; (d) measures for enhancing each identified positive impact; and (e) guidelines for the preparation of environmental and social monitoring plans for tracking the application of the mitigation measures, as said framework may be amended from time to time with the Bank's prior approval.
5. "Environmental and Social Management Plan" or "ESMP" means the instrument prepared by the Borrower and MDF, as applicable, satisfactory to the Bank, and to be disclosed by the Borrower and MDF as applicable, and on the Bank's website which details: (a) the measures to be taken during the implementation and operation of the Project to avoid, minimize, mitigate or offset adverse environmental and social impacts (including health and safety issues), or to reduce them to acceptable levels; and (b) the actions needed to implement these measures, as said instrument may be amended from time to time with the Bank's prior written agreement.
6. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing", dated December 14, 2018.
7. "General Education School" means a school offering primary, basic and secondary education.

8. "MDF" means the Municipal Development Fund of Georgia, a legal entity of public law under the Borrower's laws, or any successor thereto.
9. "MDF Project Operational Manual" or "MDF/POM" means the manual prepared for the Project, acceptable to the Bank, prepared and adopted by MDF, for MDF Respective Parts of the Project, describing and setting forth procedures inter alia, for the activities and timetable of actions to be carried out under the Project, the staff of the PMT, the fiduciary, technical and operational aspects and procedures for implementation of the Project, including the financial management procedures (budgeting, accounting and internal control, disbursement and flow of funds, financial reporting, annual reports, internal and external audit arrangements procedures and including the Project specific chart of accounts), procurement procedures, monitoring and evaluation arrangements, and other fiduciary and administrative arrangements and necessary terms of reference, as the same may be amended from time to time with the prior written agreement of the Bank.
10. "MESCS" means the Borrower's Ministry of Education, Science, Culture and Sports or any successor thereto.
11. "MRDI" means the Ministry of Regional Development and Infrastructure, or any successor thereto.
12. "Operating Costs" means the reasonable incremental operating expenditures incurred by the PMUs, which would not exist absent the Project, required for an efficient Project implementation and monitoring, printing and publication including costs for office rent, operation and maintenance of vehicles, office equipment and supplies, communication costs, expenditures relating to outreach and awareness campaigns, support for information systems, translations, bank charges, travel and per diem costs, salaries of the contractual staff (excluding consulting services and salaries of officials of the Borrower's civil service, and other reasonable expenditures directly associated with the carrying out of the Project, all based on annual budgets acceptable to the Bank.
13. "Pre-School" means a school offering pre-primary school education to children age 5 to 6.
14. "Procurement Regulations" means, for purposes of paragraph 85 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated July 2016, revised November 2017 and August 2018.
15. "Project Implementing Entity" or "PIE" means the legal entity of public law, the Municipal Development Fund of Georgia established pursuant to Presidential Decree No. 294 dated June 7, 1997.

16. "Project Implementing Entity's Legislation" means the Charter of the Municipal Development Fund of Georgia established pursuant to Decree No. 118 of the Government of Georgia dated July 23, 2005, as amended as of today.
17. "Project Management Team" or "PMT" means the team established within MDF referred to in Section I.A of the Schedule to the Project Agreement, or any successor thereto as agreed between the Borrower and the PIE.
18. "Project Management Unit" or "PMU" means the unit established within MESCS referred to in Section I.A.2 of Schedule 2 to this Agreement or any successor thereto as agreed between the Borrower and the Bank.
19. "Project Operational Manual" or "POM" means the manual prepared for the Project, acceptable to the Bank, prepared and adopted by the Borrower, through MESCS, for MESCS Respective Parts of the Project, describing and setting forth procedures inter alia, for the activities and timetable of actions to be carried out under the Project the respective roles and responsibilities of the Borrower's subordinated agencies, the staff of the PMU, the fiduciary, technical and operational aspects and procedures for implementation of the Project, including the financial management procedures (budgeting, accounting and internal control, disbursement and flow of funds, financial reporting, annual reports, internal and external audit arrangements procedures and including the Project specific chart of accounts), procurement procedures, monitoring and evaluation arrangements, and other fiduciary and administrative arrangements and necessary terms of reference, as the same may be amended from time to time with the prior written agreement of the Bank.
20. "Resettlement Policy Framework" or "RPF" means the framework prepared and adopted by the Borrower, satisfactory to the Bank, properly disclosed in-country on the Borrower's and the MDF's website on February 22, 2019 and on the Bank's website on February 25, 2019, which sets out the resettlement principles, organizational arrangements (including consultation and budget), and design criteria to be applied to resettlement related Project activities to be prepared during Project implementation, as such framework may be amended from time to time with the prior written agreement of the Bank.
21. "Respective Parts of the Project" means, in respect of: (a) MESCS Part 1(a) and (b), Part 2(b), (c) and (d), Part 3, Part 4 and Part 5 (b) of the Project; and (b) PIE Part 1(c), Part 2 (a) and Part 5 (a) of the Project.
22. "Safeguard Instruments" means collectively, the ESMF, ESMP, Resettlement Policy Framework, Resettlement Action Plan and "Safeguard Instrument" means any of such Safeguards Instruments.

23. "Safeguard Policies" means, the Operational Policies (OPs) and Bank Procedures (BPs) of the Bank, namely OP/BP 4.01 (Environmental Assessment), OP/BP 4.12 (Involuntary Resettlement); they can be found at <https://policies.worldbank.org>.
24. "School Readiness Program" means MESCS's program and curriculum for children in Pre-schools.
25. "Selected General Education Schools" means General Education Schools selected according to criteria provided in the POM and in the MDF/POM.
26. "Selected Pre-Schools" means Pre-Schools selected according to criteria provided in the POM and in the MDF/POM.
27. "Signature Date" means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to "the date of the Loan Agreement" in the General Conditions.
28. "Subsidiary Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement.
29. "Training" means expenditures (other than those for consultants' services) incurred by the Borrower in connection with the carrying out of training activities (such as seminars, workshops, including the reasonable travel costs (i.e. accommodation, transportation and per-diem, inter alia) of trainees and trainers (if applicable), training registration fees, catering, rental of training facilities and equipment, logistics and printing services, as well as training materials, all for the purposes of, and directly related to, the activities of the Project.