

OFFICIAL DOCUMENTS

*Administration Agreement between the European Commission on behalf of the European Union and
the International Bank for Reconstruction and Development concerning the Part II Europe 2020
Programmatic Single-Donor Trust Fund (No. TF073242)
(EC Contract No ENI/2018/400-915)*

This Administration Agreement is concluded under Direct Management in the context of the Framework Agreement between the World Bank Group and the European Commission dated April 15, 2016 which sets the general conditions for this Agreement (the "Framework Agreement"). The Framework Agreement shall be applicable and form an integral part of the Administration Agreement for the Trust Fund.

1. The International Bank for Reconstruction and Development (the "Bank") acknowledges that the European Commission (the "Donor", and together with the Bank, the "Parties" and each a "Party") agrees to provide the sum of four million and five hundred thousand Euros (**€ 4,500,000**) (the "Contribution") for the **Part II Europe 2020 Programmatic Single-Donor Trust Fund, (No. TF073242)** (the "Trust Fund") in accordance with the terms of this Administration Agreement.

The estimated total budget of the Trust Fund is four million and five hundred thousand Euros (**€ 4,500,000**). The indicative budget set out in Annex 5 shall be used for monitoring purpose only and shall not be binding.

2. The Contribution shall be used to finance the activities set forth in the "**Part II Europe 2020 Programmatic Single-Donor Trust Fund Description**" attached hereto as Annex 1, and shall be administered by the Bank on behalf of the Donor in accordance with the terms of this Administration Agreement, including the "Standard Provisions" attached hereto as Annex 2 and "Governance" attached hereto as Annex 3.

Expected results of the Trust Fund and corresponding indicators (including baselines, result goals and sources of data) are set out in Annex 4.

The implementation period shall start on the date following that on which the last of the two parties signs.

3. The Donor shall deposit the Contribution in accordance with the following schedule and in the currency specified in Section 1 above ("Contribution Currency") into such bank account designated by the Bank (each amount deposited hereinafter referred to as an "Installment") upon submission of a payment request by the Bank:

- (A) Promptly following countersignature – € 2,250,000
- (B) € 1,800,000 subject to the disbursement of 70% of the preceding instalment
- (C) € 450,000 subject to the disbursement of 70% of the preceding instalment

The period for payment of further instalments shall be 60 days.

The period for payment of the balance shall be 90 days.

4. When making any deposit, the Donor shall instruct its bank to include in its deposit details information (remittance advice) field of its SWIFT deposit message, information indicating: the amount deposited, that the deposit is made by the Donor for TF No. TF073242 (**the Part II Europe 2020 Programmatic Single-Donor Trust Fund**), the Commission internal reference number and the date of the Administration Agreement, the name of the project for which the funds are intended, the name of the

Commission department responsible for the Trust Fund and the date of the deposit (the "Deposit Instructions"). In addition, the Donor shall provide a copy of the Deposit Instructions to the Bank's Accounting Trust Funds Division by e-mail sent to tfremitadvice@worldbank.org or by fax sent to +1 (202) 614-1315.

5. Except with respect to the Deposit Instructions, any notice, request or other communication to be given or made under this Administration Agreement shall be in writing and delivered by mail, fax or e-mail to the respective Party's address specified below or at such other address as such Party notifies in writing to the other Party from time to time:

For the Bank (the "Bank Contact"):

Mercy Tembon
Regional Director
ECCSC
The World Bank
5A, Ramishvili Street, Tbilisi 0179, Georgia
Tel: + 995 (32) 291 30 96
E-mail: mtembon@worldbank.org

For the Donor (the "Donor Contact"):

Carl Hartzell
Head of Delegation
Delegation of the European Union to Georgia
38 Nino Chkheidze street, Tbilisi 0102 Georgia
Tel: +995 32 2943763
E-mail: delegation-georgia@eeas.europa.eu

6. In the event any amounts are to be returned to the Donor under this Administration Agreement, the Bank shall transfer such amounts to the Donor, unless otherwise agreed with the Bank.

7. All annexes hereto and the Framework Agreement between the World Bank Group and the European Commission constitute an integral part of this Administration Agreement, whose terms taken together shall constitute the entire agreement and understanding between the Donor and the Bank. In the event of any inconsistency, the Framework Agreement prevails over the Administration Agreement and the Administration Agreement prevails over its Annexes. Unless otherwise specified in an annex hereto, this Administration Agreement may be amended only by written amendment between the Bank and the Donor.

8. The measures taken to identify the EU as a source of financing shall be in accordance with Attachment 4 of the Framework Agreement.

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9. Each of the Parties represents, by confirming its agreement below, that it is authorized to enter into this Administration Agreement and act in accordance with these terms and conditions. The Parties are requested to sign and date this Administration Agreement, and upon possession by the Bank of this fully signed Administration Agreement, this Administration Agreement shall become effective as of the date of the last signature.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: Ozan Sevincli
Name: Mercy Tembon
Title: Regional Director
Date: 14.12.2018

P.a. 

EUROPEAN UNION represented by the EUROPEAN COMMISSION

By: _____
Name: **VINCENT REY**
Title:
Date: 14. 12. 2018



ANNEX 1**PART II EUROPE 2020 PROGRAMMATIC SINGLE-DONOR TRUST FUND DESCRIPTION**

This Annex shall be applicable to and form an integral part of the Administration Agreement for the Trust Fund between the Bank and the Donor.

1. Objectives

The objectives of the Trust Fund are:

The European Commission and the Bank share a common objective of building competitive and sustainable economies and reducing poverty and social exclusion – goals of the Europe 2020 Agenda which is built on three pillars of smart, sustainable and inclusive growth. The European Commission and the Bank concur that direct interaction is beneficial to both institutions and through them to the beneficiary countries. This applies particularly to the provision of analytical, advisory and knowledge services and technical assistance.

The European Commission has expressed an interest in ensuring that the Bank continues to provide technical assistance in the framework of the Trust Fund in furtherance of the common objective set forth above.

2. Activities

Georgia has achieved significant progress in implementing fundamental first-generation business environment and financial sector reforms. Over the past decade Georgia has been the front runner in implementing tax, customs, anti-corruption, business environment, governance and financial sector reforms, as recognized by the Doing Business Report and other international ranking surveys. However, second generation reforms which are key for boosting productivity, scaling up and supporting SMEs internationalization for more competitive exports and sustainable jobs, remain to be undertaken. Moreover, many structural reforms require longer term affordable local currency finance, which remains to be largely inaccessible in Georgia.

Georgia's financial sector is undiversified and relatively shallow, especially in the areas of products offering for SMEs and non-banking financial services. Despite growing competition for clients' outreach and increasing demand for finance from the private sector, lenders capacity to scale up SME finance is constrained by lack of corporate transparency, unreliable financial reporting and poor collateral. While the Government has started several programs to support entrepreneurship, foster innovation and encourage entry of new firms under the auspices of Enterprise Georgia/Entrepreneurship Development Agency (EDA) and Georgian Innovation and Technology Agency (GITA), the scope and scale of support remain fragmented.

The Bank will provide advisory support and capacity building to Georgia. The components under this Agreement are complementary and aim at maximizing the positive impact of the project-supported reforms. They include the activities that the Bank will carry out in support of different relevant counterparts in Georgia:

- Component 1. Capital Markets Development (Main counterpart: National Bank of Georgia (NBG));

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- Component 2. Insurance Reform (Main counterpart: Insurance State Supervision Service of Georgia (ISSSG));
- Component 3. Responsible Financial Inclusion (Main counterparts: National Bank of Georgia (NBG), Ministry of Economy and Sustainable Development (MOESD));
- Component 4. Better Financial Information and Accountability (Main counterparts: Service for Accounting, Reporting and Auditing Supervision (SARAS), MOESD).
- Component 5. Communication Plan

Accordingly, the Bank will support Georgia to strengthen key elements and lay the foundations for enhancing financial inclusion and accountability by (i) enhancing framework for capital and insurance market development, (ii) improving financial infrastructure and responsible financial inclusion, and (iii) promoting better corporate and State-Owned Enterprise (SOE) governance and reporting.

The activities envisaged in this Agreement are designed to continue the ongoing dialogue and Bank's support to the authorities of Georgia in implementing the reforms needed to foster financial sector diversification and deepening, extend financial inclusion for underserved clients, and build up foundations to maximize the role of financial markets in development.

Component 1: Capital Market Development

The development of the domestic capital market in Georgia is essential for diversifying access to alternative finance and contributes to a pension reform. Specifically, under this component, the Bank will carry out the following activities:

Deliverable 1.1 Capital market legal and regulatory framework modernized

The Georgian Capital market's legal and regulatory framework remains under-developed. The existing legal and regulatory environment is not suitable to support financial innovation, nor does it offer a proper level of protection to investors. In this context, the Bank will provide recommendations to the NBG to enhance capital market legal and regulatory framework and strengthen its supervisory capacity.

The Bank will:

1. Provide advisory and capacity building support to NBG in developing transparency and market abuse regulations, enhancing issuer reporting requirements and strengthening NBG capacity in monitoring and enforcing transparency and market abuse rules.
2. Review and provide recommendations on the Collective Investment Scheme (CIS) legislation, e.g. regulatory requirements for investment funds and asset managers licensing, funds depositories licensing and operating requirements, regulation on investment policy and Alternative Investment Funds, regulation of investment funds' liquidation.
3. Review of Markets in Financial Instruments Directive/Markets in Financial Instruments Regulation (MIFID/MIFIR) approximation road map; review of draft regulations on licensing, capital requirements, business conduct of investment firms; provide advisory and capacity building support for NBG monitoring and enforcing rules on investment firms.
4. Review and provide recommendations to NBG on IOSCO Multilateral Memorandum of Understanding (MMOU) self-assessment questionnaire and IOSCO application.

Deliverable 1.2 Capital market infrastructure (trading) oversight enhanced

Capital market development requires trading and post trading structures that are resilient, efficient and transparent. It will help to rationalize transaction costs, facilitate financial instruments trading and increase local and foreign investors' confidence. The Georgian authorities have already started reforming the securities settlement system and NBG has requested the Bank to give recommendations to NBG on how to best enhance market infrastructure in line with international standards.

The Bank will:

1. Review and provide recommendations to the draft legislation on trading platforms (organized exchange and Over the Counter (OTC)) in line with EU rules and International Organization of Securities Commissions (IOSCO) principles;
2. Review and provide recommendations to the draft NBG regulations on licensing, business conduct, trading transparency rules for trading platforms;
3. Provide knowledge transfer and capacity building support to NBG in market surveillance (direct or through self-regulatory organization (SRO)).

Deliverable 1.3 Market awareness and enabling environment for fixed income products improved

Under this sub-component the Bank will carry out activities aimed at facilitating market collaboration and knowledge exchange through (i) advising on creating a coordination mechanism and drafting a Memorandum of understanding (MOU) for the Listing Advisory Program (LAP)¹ partners; (ii) supporting NBG in developing selected market awareness products, and (iii) providing advisory support in identifying gaps and preparing recommendations to foster fixed income products diversification.

Component 2: Insurance Reform

The Bank will provide technical assistance to the ISSSG in sharing best practices and supporting development of new insurance product lines and relevant insurance laws and regulations, based on the outcomes of market analysis and reviews of pertinent sectoral legislation and practices. The activities carried out under this sub-component would also possibly support the implementation of the Law on Domestic Motor Third Party Liability (MTPL) Insurance².

Deliverable 2.1 Enabling framework for the development of new insurance products

Under this sub-component the Bank will:

1. Review pertinent sectoral practices, market needs and legislation in areas of life insurance, compulsory third-party liability insurance for builders and architects, and compulsory third-party liability insurance for medical service providers;
2. Provide recommendations to the ISSSG for the development of essential insurance regulations and amendments to the current legislation in support of (i) Compulsory Third Party Liability

¹ Advice to the companies seeking financing opportunities from capital markets

² The law on Domestic MTPL is currently being prepared and is expected to be submitted to the Parliament in early 2019.

Insurance for Medical Service Providers; (ii) compulsory third-party liability insurance for builders and architects; (iii) life insurance products with the endowment component;

3. Review the current agricultural insurance scheme supported by the government and provide policy recommendations for the development of the new legislation on agricultural insurance in support of alternative agricultural insurance products

Deliverable 2.2 Insurance market is expanded through the introduction of insurance products

Under this sub-component the Bank will:

1. Provide recommendations for the development of compulsory third-party liability insurance for medical services providers, builders and architects in line with international best practice, including for the development of insurance terms and conditions and scope of coverage and development of indicative pricing guidelines;
2. Provide recommendations for the development of base-line life insurance products with an endowment component (focus on annuities), including advice on insurance terms and conditions, scope of coverage, indicative pricing guidelines;
3. Provide recommendations for the development of index-based agricultural insurance products, including on insurance terms and conditions, scope of coverage, indicative pricing guidelines;
4. Organize workshops for ISSSG knowledge enhancement on new insurance products; public consultations and awareness events on the new insurance products.

Development of life insurance, compulsory third-party liability insurance for builders and architects, and compulsory third-party liability insurance for medical service providers products will depend on the outcomes of the reviews of pertinent sectoral legislation, market needs and practices.

Component 3: Responsible Financial Inclusion

The lack of financial sector diversity and depth hinders access to finance, undermines financial inclusion, especially for MSMEs and underserved clients in the rural areas or lower income households. Existing financial infrastructure, including payments, debt restructuring, contract enforcement and secured transactions framework requires enhancement in line with international standards and practices. In this context, the Bank has been requested by NBG to support in strengthening a responsible financial inclusion³ framework and infrastructure as follows:

Deliverable 3.1 Responsible Finance framework initiated

The overall legal and regulatory framework for consumer protection in the financial sector remains fragmented and incomplete. Under this sub-component, the Bank will assist NBG through advisory and capacity building support. The Bank will:

1. Provide advice and share knowledge for the development of responsible financial inclusion strategy and the action plan;

³ Responsible financial inclusion is where individuals and businesses have access to useful and affordable financial products and services that meet their needs and are delivered in a responsible way.

2. Provide technical support to NBG in finalizing the action plan of the National Financial Education Strategy and implementing its selected activities.
3. Provide recommendations and capacity building for NBG on consumer protection supervisory strategy and supervisory manual; advise NBG on revising the legal and regulatory framework for consumer protection and responsible finance in line with EU directives and financial consumer protection practices;
4. Support NBG and other stakeholders in FinTech market assessment in Georgia; provide guidance and comments to the draft FinTech strategy; provide support to NBG in developing FinTech regulatory approach vision and a road map; provide capacity building for NBG on selected aspects of FinTech market regulation based on the priorities identified in the road map.

Deliverable 3.2. Financial Infrastructure for responsible finance enhanced

Unleashing the potential of the financial sector and development of responsible finance framework for SMEs will require further strengthening of credit market infrastructure. Reduction of cash economy and enhancing financial inclusion for underbanked clients, especially in rural areas, requires continued enhancements in payments and financial services delivery infrastructure. The Bank will provide recommendations to the relevant authorities of Georgia for legal reforms in line with the best international practices.

In this context the Bank will:

1. Conduct assessment and organize consultations with the authorities; and provide technical recommendations for establishing SME Credit Guarantee Scheme in line with international practices and the WBG 2015 Principles for public guarantee schemes for SME finance;
2. Provide technical support to the relevant authorities of Georgia in developing legal strategy, providing recommendation for revisions to secured transactions legislation; organize stakeholder consultations and share knowledge on best practices in implementation of the modern security interests registry;
3. Conduct an assessment of the retail payments infrastructure and the Central Securities Depository/Securities Settlement System (CSD/SSS), develop an action plan, assist NBG with development of a comprehensive risk management framework and payments oversight policy framework (for both Large-value and retail payments); advance knowledge transfer on design and development of faster payment system.

Component 4: Better Financial Information and Accountability

By signing the Association Agreement⁴ with the EU in 2014, Georgia committed to adapt and align its legislation with the EU norms in many fields, including accounting and auditing. The Bank is providing its technical assistance to Georgia under a regional program, partially funded by the EU, for Strengthening Auditing and Reporting in the Eastern Partnership (STAREP⁵), implemented by the World Bank Centre for Financial Reporting Reform (CFRR). In this context, under this Agreement the Bank will

⁴ Council Decision of 16 June 2014 (2014/494/EU) https://cdn1-eeas.fpfis.tech.ec.europa.eu/cdn/farfuture/VjycjKJ-ii28659I8FYZ8Phir2Qqs0f2jZUoh4un5IE/mtime:1473773763/sites/eeas/files/association_agreement.pdf

⁵ EC Contract #ENPI/2014/337-995, Trust Fund #TF072157.

continue to support Georgia enhance transparency and investment attractiveness through a better availability of the latter and use of financial information as follows:

Deliverable 4.1. Accounting frameworks for SMEs developed and the respective capacity of SMEs increased

Under this sub-component the Bank will:

1. Provide advice on the implementation of the 2016 A&A Law relating to reporting requirements for small entities in accordance with EU Accounting Directive⁶.
2. Develop and deliver Training of Trainers⁷ program tailored to the needs of the respective stakeholder group (IFRS, IFRS for SMEs, micro framework).
3. Disseminate knowledge and technical support for the implementation of new accounting standards for MSMEs via targeted workshops for MSME accountants and owners.
4. Support in designing a mechanism for standards update and translation process.

Deliverable 4.2. Capacity of Small and Medium Accounting Practices (SMPs) enhanced

Under this sub-component the Bank will provide technical support to help SMEs gain access to modern financial management skills and business advisory services needed to improve planning, control, and performance of their businesses. It will help position them to access financial and human capital and overcome other common challenges to growth through advice and assistance in areas such as cash management, business and financial planning, access to finance, and compliance requirements to emerge from the “shadow economy.”

The Bank will work with targeted small and medium-sized accounting practices (SMPs) and professional accountants working in business, as these engage directly with SMEs, as well as with professional accountancy organizations (PAOs). PAOs will be equipped to continue offering tools and training to SMPs on a fee-for-service basis, and SMPs in turn will be equipped to help SMEs on a fee for service basis. The improved capacity of the accounting profession to better support SMEs will be bolstered through work to raise awareness among targeted market participants of the value that professional accountants can offer SMEs as a key part of the business support network. This program will be the first to develop capacity of the SMP community across Georgia, so it can effectively support development and growth of SMEs in the country.

Deliverable 4.3. Better Governance and Public Accountability of SOEs

Under this sub-component the Bank will help Georgian authorities (primarily with the National Agency of State Property (NASP) and the Ministry of Economy and Sustainable Development) to strengthen their financial reporting capacity and raising public accountability of SOEs and respective agencies in charge of SOE oversight, under the framework of the 2016 A&A Law implementation.

⁶ Directive No 2013/34/EU, and Regulation (EC) No 1606/2002.

⁷ Training of Trainers (TOT) is a professional learning process for qualified trainers who will be providing training and capacity-building assistance to respective stakeholders' groups.

Accordingly, the Bank will provide targeted analytical support to the Government of Georgia to advance SOE reforms through technical expertise and targeted assistance. The Bank will support reform implementation efforts aimed at strengthening corporate governance policies and practices of SOEs, implementing legislative reforms in the area and improving SOE performance accountability.

Deliverable 4.4. Accounting and Auditing Quality Control enforced

Under this sub-component the Bank will:

1. Provide required policy level support to further align Georgian legislation, including secondary legislation and regulations in audit quality reviews, audit manuals, and inspection procedures, in line with the EU acquis, if requested by SARAS and the Government.
2. Provide capacity building for SARAS to effectively and efficiently develop the right processes, procedures and methodologies for enforcement of financial reporting and auditing requirements.
3. Support SARAS prepare an update to the 2015 A&A ROSC, measuring and evaluating reforms progress.

Deliverable 4.5. Accounting Education Improved

The Bank will provide recommendations to the Georgian authorities in improving their accounting education through the education benchmarking for leading providers of accounting and audit education. The main relevant stakeholders will be leading universities, PAOs, and other academia. The Bank will carry out these activities in full coordination with SARAS.

Component 5: Communication Plan

A communication plan will be prepared outlining the key communication activities mainstreamed in each component.

Indicative Timeline for Delivering Outputs

Outputs	Timeline
1.1 Capital market legal and regulatory framework modernized	Q3 2022
1.2. Capital market infrastructure (trading) oversight enhanced	Q2 2022
1.3. Market awareness and enabling environment for fixed income products improved	Q2 2022
2.1 Enabling framework for the development of new insurance products	Q3 2021
2.2 Insurance market is expanded through introduction of compulsory insurance products	Q3 2022
3.1 Responsible Finance framework initiated	Q3 2022
3.2. Financial Infrastructure for responsible finance proposed	Q3 2022
4.1. Accounting frameworks for SMEs developed and the respective capacity of SMEs increased	Q2 2022
4.2. Capacity of Small and Medium Accounting Practices (SMPs) enhanced	Q2 2022

4.3. Better Governance and Public Accountability of SOEs	Q3 2022
4.4. Accounting and Auditing Quality Control enforced	Q3 2022
4.5. Accounting Education improved and continue to develop	Q3 2022
5. Communication Plan	Q1 2019

3. Eligible Expenditures

3.1 For Bank-executed activities, the Trust Fund funds may be used to finance:

- (a) Staff and individual consultant services;
- (b) Cost of travel;
- (c) Cost of training and workshops; and
- (d) Other services including translation.

4. Taxes

4.1 The foregoing activities and categories of expenditures may include the financing of taxes in accordance with the Bank's applicable policies and procedures.

5. Program Criteria

5.1 Activities are to be financed in accordance with the following program criteria:

The Trust Fund is established to enable the European Commission and the Bank to continue to collaborate and exchange experience and expertise on a number of themes under all three pillars of the Europe 2020 Agenda of smart, sustainable and inclusive growth. The express purpose of this Trust Fund is to allow the European Commission to avail itself of the Bank's technical assistance and analytical and policy capacity for the purpose of pursuing the goals of Europe 2020. The three pillars of Europe 2020 are broadly in line with the objectives and strategies adopted in the Europe and Central Asia Region of the World Bank Group. All activities that are in pursuance of these three pillars are eligible to be financed and implemented under this Trust Fund.

STANDARD PROVISIONS

This Annex shall be applicable to and form an integral part of the Administration Agreement for the Trust Fund between the Bank and the Donor.

1. Administration of the Contributions

1.1 The Bank shall be responsible only for performing those functions specifically set forth in this Administration Agreement and shall not be subject to any other duties or responsibilities to the Donor, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. Nothing in this Administration Agreement shall be considered a waiver of any privileges or immunities of the Bank under its Articles of Agreement or any applicable law, all of which are expressly reserved.

1.2 The Donor's Contribution shall be administered in accordance with the Bank's applicable policies and procedures, as the same may be amended from time to time, including its procurement, financial management, disbursement and safeguard policies, its framework to prevent and combat fraud and corruption and its screening procedures to prevent the use of Bank resources to finance terrorist activity, in line with the Bank's obligations to give effect to the relevant decisions of the Security Council taken under Chapter VII of the Charter of the United Nations. The Donor acknowledges that this provision does not create any obligations of the Bank under the anti-terrorist financing and asset control laws, regulations, rules and executive orders of an individual member country that may apply to the Donor.

2. Management of the Contributions

2.1 The funds deposited in the Trust Fund shall be accounted for as a single trust fund and shall be kept separate and apart from the funds of the Bank. The funds deposited in the Trust Fund may be commingled with other trust fund assets maintained by the Bank. The Bank, in its capacity as trustee, has legal title to the funds deposited in the Trust Fund.

2.2 The currency in which the funds in the Trust Fund shall be held is Euro (the "Holding Currency").

2.3 The Donor agrees to deposit its Contributions in the Contribution Currency stated in the Administration Agreements. In the case of deposits received in a Contribution Currency other than the Holding Currency, promptly upon the receipt of such amounts and the accompanying Deposit Instructions, the Bank shall convert such amounts into the Holding Currency at the exchange rate obtained by the Bank on the date of the conversion. Where deposits prove to be insufficient to complete activities as a result of exchange rate fluctuations, neither the Bank nor the Donor shall bear any responsibility for providing any additional financing.

2.4 The funds deposited in the Trust Fund may be freely exchanged by the Bank into other currencies as may facilitate their disbursement at the exchange rate obtained by the Bank on the date of the conversion.

2.5 The Bank shall invest and reinvest the funds deposited in the Trust Fund pending their disbursement in accordance with the Bank's applicable policies and procedures for the investment of trust funds administered by the Bank. The Bank shall transfer all income from such investment to the Donor's applicable donor balance account with the Bank.

3. Trust Fund Fees and Costs

3.1 The Bank shall deduct and retain for its own account, as a deduction from each Instalment, an amount equal to five percent (5%) per Instalment as an administrative fee for the Trust Fund.

3.2 The Donor acknowledges and agrees that the percentage deductions for fees in this Trust Fund Fees and Costs section are estimated on the basis of anticipated Contributions. If actual Contributions significantly differ from what was originally anticipated at the time of signature of the first Administration Agreement, or if other circumstances affecting Trust Fund fees or costs change, the Bank reserves the right to request a change to the terms of this Trust Fund Fees and Costs section, which would be effectuated by amendments made to the Administration Agreements of the Donor and which would thereafter be applicable to all new Contributions that are provided either as amendments to supplement existing Administration Agreements or from new Administration Agreements.

4. Accounting and Financial Reporting

4.1 The Bank shall maintain separate records and ledger accounts in respect of the funds deposited in the Trust Fund and disbursements made therefrom.

4.2 The Bank shall furnish to the Donor current financial information relating to receipts, disbursements and fund balance in the Holding Currency with respect to the Contributions via the World Bank's Trust Funds Development Partner Center secure website. Within six (6) months after all commitments and liabilities under the Trust Fund have been satisfied and the Trust Fund has been closed, the final financial information relating to receipts, disbursements and fund balance in the Holding Currency with respect to the Contributions shall be made available to the Donor via the World Bank's Trust Funds Development Partner Center secure website.

4.3 The Bank shall provide to the Donor via the World Bank's Trust Fund Development Partner Center secure website, within six (6) months following the end of each Bank fiscal year, an annual single audit report, comprising (i) a management assertion together with an attestation from the Bank's external auditors concerning the adequacy of internal control over cash-based financial reporting for all cash-based trust funds as a whole; and (ii) a combined financial statement for all cash-based trust funds together with the Bank's external auditor's opinion thereon. The cost of the single audit shall be borne by the Bank.

4.4 If the Donor wishes to request, on an exceptional basis, a financial statement audit by the Bank's external auditors of the Trust Fund, the Donor and the Bank shall first consult as to whether such an external audit is necessary. The Bank and the Donor shall agree on the appropriate scope and terms of reference of such audit. Following agreement on the scope and terms of reference, the Bank shall arrange for such external audit. The costs of any such audit, including the internal costs of the Bank with respect to such audit, shall be borne by the requesting Donor.

5. Progress Reporting

5.1 The Bank shall provide the Donor with **semi-annual** reports on the progress of activities financed by the Contributions. Within six (6) months of the End Disbursement Date (as defined below), the Bank shall furnish to the Donor a final report on the activities financed by the Trust Fund.

5.2 The Donor may review or evaluate activities financed by the Trust Fund at any time up to six (6) months following the End Disbursement Date. The Donor and the Bank shall agree on the scope and

conduct of such review or evaluation, and the Bank shall provide all relevant information within the limits of the Bank's applicable policies and procedures. All associated costs, including any costs incurred by the Bank, shall be borne by the Donor. It is understood that any such review or evaluation will not constitute a financial, compliance or other audit of the Trust Fund.

6. Disbursement; Cancellation; Refund

6.1 It is expected that the funds deposited in the Trust Fund will be fully disbursed by the Bank by **December 31, 2022** (the "End Disbursement Date"). The Bank shall only disburse funds deposited in the Trust Fund for the purposes of this Administration Agreement (other than returns to Donor) after such date to the extent such date is changed in accordance with amendments made to the Administration Agreement(s) of the Donor. Following the End Disbursement Date, the Bank shall return any remaining balance of the Trust Fund to the Donor in the Holding Currency in the manner specified in its respective Administration Agreement on a pro rata basis with regard to the total funds deposited in the Trust Fund by such Donor relative to the total funds deposited in the Trust Fund by the Donor, all calculated as Holding Currency amounts.

6.2 The Donor may cancel all or part of such Donor's pro rata share/contribution, and the Bank may cancel all or any Donor's pro rata share/contribution, upon three (3) months' prior written notice, of any Contributions (paid and not yet paid) that are not committed pursuant to any agreements entered into between the Bank and any consultants and/or other third parties for the purposes of this Administration Agreement, including any Grant Agreements, prior to the receipt of such notice. In the event of a cancellation, the Bank shall return to the Donor its pro rata share in the Holding Currency as specified in the Administration Agreement unless otherwise agreed between the Bank and the Donor.

7. Disclosure; Dispute Resolution

7.1 The Bank shall disclose the Administration Agreements and related information on this Trust Fund in accordance with the Bank's Policy on Access to Information. By entering into Administration Agreements, the Donor consents to such disclosure of their respective Administration Agreements and such related information.

7.2 The Donor and the Bank shall use their best efforts to amicably settle any dispute, controversy, or claim arising out of or relating to the Administration Agreements.

ANNEX 3**GOVERNANCE OF THE ACTIVITIES**

This Annex shall be applicable to and form an integral part of the Administration Agreement for the Trust Fund between the Bank and the Donor.

Working Modalities

In order to facilitate the implementation of the activities described in Annex 1 of this Agreement (the “Activities”), the Bank and the EU Delegation in Georgia (EUD) will in principle meet bi-annually to discuss the progress of the Activities, discuss next steps and any challenges or issues as they arise.

The Bank may invite the EUD to participate in supervision missions related to the Trust Fund, as well as implementation-related meetings and workshops as appropriate.

To facilitate the organization and efficiency of such missions, meetings, and workshops the Bank may share with the EUD in a timely manner any relevant documentation in accordance with the Bank’s Policy on Access to Information.

The Bank shall carry out the visibility activities agreed between the Bank and the EUD in the Visibility Note, which may be updated from time to time by the parties, in line with Article 9 and Attachment 4 of the Framework Agreement.

Bank team composition:

The Bank shall, in its sole discretion, determine the composition of the staff assigned to perform the activities under this Agreement.

Payment Requests

Requests for payments related to the activities set forth in Section 2.1 of Annex 1 to this Administration Agreement will be sent by the World Bank to the Commission with the reference ENI/2018/400-915 and shall be addressed to:

Finance, Contracts and Audit Section
EU Delegation to Georgia
38 Nino Chkheidze street, Tbilisi 0102 Georgia

INDICATIVE RESULTS FRAMEWORK INDICATORS FOR THE ACTIVITIES IN ANNEX 1

	Expected Results of (Logic intervention)	Indicators	Baselines (2017/2018)	Result goals	Sources of data	Assumptions
Overall Objective: Impact	Better financial inclusion and accountability	Global Competitiveness Index (9th pillar on Financial system)	Baseline: 66.140, score 59.8 (2018)	In 2022 to reach 60.140 or the score of 58	WEF Global Competitiveness Report	Outcome level results may not be directly attributable to the project and may depend on various downside or upside factors outside of the project control such as: (i) continued strong commitment of the Georgian authorities to reforms supported under the project; (ii) strong support of EU and other development partners to the proposed reforms, within the broader engagement framework. (iii) no adverse developments outside of the control of the project team

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Specific Objectives (outcomes):	Capital market development	Advanced capital market transparency and regulation in line with EU legislation and IOSCO principles	Non-compliance with 36 out of 37 IOSCO principles (NBG self-assessment, 2018)	Increased compliance with 8 IOSCO principles and relevant areas of MFID/MiFIR directives (on transparency, market abuse, issuers reporting, investment funds and investment firms regulation, trading platforms regulation)	NBG reporting; Official Gazette (if legislation is adopted)	NBG's strong commitment to the capital markets legal and regulatory reform
	Insurance Reform	Increased gross written premiums of insurance companies	GEL 441 million in 2017	Increase of premiums by 25 %	ISSSG statistics	New insurance products are introduced
	Responsible financial inclusion	Increased lending to SMEs	GEL 5.2 billion in 2017	Increase of SME loans by 25 %	NBG statistics	No adverse developments on the market
		Increased access to digital payments (% age 15+)”	53% in 2017	60 % (2020)	WB Findex Database (next expected in 2020 and 2023)	
	Better Financial information and Accountability	Improved quality of financial statements	Number of SMEs preparing financial statements based on IFRS/IFRS for SMEs - 0 in 2017	500	SARAS statistics	
Outputs	1.1 Capital market legal and regulatory framework modernized	Regulation and supervision of Transparency requirements and Market Abuse enhanced	The legislative framework in place is inconsistent with the relevant IOSCO principles and EU Rules	(i) Draft Regulation(s) informed by relevant IOSCO principles and EU Rules; (ii) Knowledge transfer and capacity building of NBG team on monitoring and enforcement rules effectively delivered	Progress reports Feedback from NBG team	
		Legislation, regulation and supervision of Collective	The legislative framework in	(i) Draft Regulation(s) informed by relevant IOSCO principles and EU Rules;	Progress reports;	

Outputs		Investment Schemes enhanced	place is inconsistent with the relevant IOSCO principles and EU Rules	(ii) Knowledge transfer and capacity building of NBG team on monitoring and enforcement rules effectively delivered	Feedback from NBG team	
		Regulation of investment firms enhanced	The legislative framework in place is inconsistent with the relevant IOSCO principles and EU Rules	(i) Draft Regulation(s) informed by relevant IOSCO principles and EU Rules; (ii) Knowledge transfer and capacity building of NBG team on monitoring and enforcement rules effectively delivered	Progress reports Feedback from NBG team	
		Preparedness for IOSCO membership enhanced	Self-assessment against IOSCO principles completed in 2018, indicating non-compliance with 36 out of 37 principles	Knowledge transfer to NBG team on MMOU effectively delivered; self-assessment questionnaire reviewed; IOSCO application and action plan for increasing compliance informed by relevant international expertise	Progress reports Feedback from NBG team	
	1.2. Capital market infrastructure (trading) oversight enhanced	Legislation on trading platforms enhanced	The legislative framework in place is inconsistent with the relevant IOSCO principles and EU Rules	Draft Regulation(s) informed by relevant IOSCO principles and EU Rules	Progress reports	
		Regulations on licensing, business conduct, trading transparency rules for trading platforms enhanced	The legislative framework in place is inconsistent with the relevant IOSCO	Draft Regulation(s) informed by relevant IOSCO principles and EU Rules	Progress reports	

			principles and EU Rules			
		NBG's capacity for market surveillance increased	Limited capacity	Knowledge transfer and capacity building of NBG supervisory team effectively delivered	Progress reports Feedback from NBG team	
	1.3. Market awareness and enabling environment for fixed income products improved	Foundation for Listing advisory program (LAP) in place	Does not exist	(i) LAP informed by relevant international expertise; (ii) Draft MOU for LAP partners informed by relevant international expertise	Progress reports	
		Development of the fixed income securities informed	Some fixed income securities do not exist	Gap analysis conducted and recommendations for development of new fixed income securities prepared (such as asset backed securities, etc)	Progress reports	
Outputs	2.1 Enabling framework for the development of new insurance products	Reviews of pertinent sectoral legislation and market needs in areas of life insurance, compulsory third-party liability insurance for builders and architects, and compulsory third-party liability insurance for medical service providers conducted	The products do not exist	Reviews of pertinent sectoral legislation for informing products development conducted and market needs assessed	Progress reports	
		Legal framework for new insurance products developed	Legal framework does not exist	Advice for the development of Draft legislation for new insurance products, such as i) Compulsory Third Party Liability Insurance for Medical Service Providers; (ii) compulsory third-party liability insurance for builders and architects; (iii) life insurance products with the endowment component	Progress reports	Sector regulations should be in place to start developing third-party liability insurance products, tax treatment for life insurance product should be conducive and there should be needs for the new products on the

						market
		Legal framework for agriculture insurance product enhanced	Existing legal framework requires enhancement	Review the current agricultural insurance scheme supported by the government and develop policy recommendations;(ii) Draft legislation on agricultural insurance in support of alternative agricultural insurance products informed by relevant international expertise	Progress reports	
Outputs	2.2 Insurance market is expanded through introduction of compulsory insurance products	Compulsory third party liability insurance for medical services providers developed	Product does not exist	Recommendations for draft insurance terms and conditions and scope of coverage; Draft indicative pricing guidelines informed by relevant international expertise	Progress reports	Sector regulations should be in place to start developing third-party liability insurance product for medical service providers and there should be needs for this new product on the market
		Compulsory third party liability insurance for builders and architects developed	Product does not exist	Recommendations for draft insurance terms and conditions and scope of coverage; Draft indicative pricing guidelines informed by relevant international expertise	Progress reports	Sector regulations should be in place to start developing third-party liability insurance product for builders and architects and there should be needs for this new product on the market
		Base-line life insurance products with an endowment component developed	Product does not exist	Recommendations for draft insurance terms and conditions and scope of coverage; Draft indicative pricing guidelines informed by relevant international expertise	Progress reports	Tax treatment for life insurance product should be conducive and there should be needs for this new product on the market

		Index-based agricultural insurance products developed	Product requires enhancement	Recommendations for draft insurance terms and conditions and scope of coverage; Draft indicative pricing guidelines informed by relevant international expertise	Progress reports	
		Awareness on new insurance products increased	Limited awareness on new products	Workshops for ISSSG and public consultation events conducted effectively	Progress reports Feedback from ISSSG team	
Outputs	3.1 Responsible Finance framework initiated	Responsible Financial Inclusion Strategy prepared	Strategy does not exist	Assessment conducted, and the draft Financial Inclusion Strategy informed by relevant international expertise	Progress reports	
		Financial education reform advanced	Financial education strategy adopted in 2016, action plan is being drafted	Assistance for (i) Draft financial education action plan; (ii) Draft proposals for implementation of selected (2-3) financial literacy activities.	Progress reports	
		Financial Consumer Protection supervision and regulation enhanced	FCP supervision strategy and manual have not been drafted; FCP regulations are fragmented and not in line with key EU directives (e.g. on Consumer Credit) and best practice (WB FCP Principles, 2017)	(i) Recommendations and capacity building for draft NBG Financial Consumer Protection supervision strategy and manual; (ii) Knowledge transfer and capacity building of NBG team on FCP supervision effectively delivered; (iii) Draft revisions to the legal and regulatory framework on consumer protection and responsible finance informed by EU Consumer Credit and other EU Directives and WB FCP Principles	Progress reports Feedback from NBG team	

		Foundations for Fintech regulation established	Fintech activities are not regulated; Market analysis have not been conducted yet and regulatory response strategy is not defined	Support for (i) Market analysis to assess scale and scope of Fintech activities; (ii) The draft FinTech strategy; (iii) Proposals for FinTech regulation approach paper/road map; (iv) Selected aspects of FinTech market (e.g. regulation of banks, non-banks, regulatory sandbox etc)	Progress reports	
Outputs	3.2. Financial Infrastructure for responsible finance proposed	SME Credit Guarantee Scheme informed	No assessment and study	Assessment to inform options of credit guarantee scheme conducted	Progress Reports	The government remains committed to introduce the new scheme in line with best international practice
		Foundations for modernization secured transactions framework established	Current legislation is not in line with international practice, registry is rarely used	(i) Support for draft revisions to the legislation; (ii) workshop on establishing the modern security interests registry conducted effectively.	Progress Reports Feedback from workshop participants	Strong commitment of the government to the secured transactions reform
		Enabling framework for retail payments infrastructure improved	Payments infrastructure and its oversight requires enhancement	(i) NBG self-assessment of retail payments and SCD/SSS infrastructures informed by relevant international expertise; (ii) Recommendations for fast payments and effective knowledge sharing on APIs for enabling third party access to payment accounts, digital ID and customer consent architecture, bill presentment and payment services; (iii) Risks management and retail payments oversight framework informed by relevant international expertise;	Progress Reports Feedback from NBG team	

Outputs	4.1. Accounting frameworks for SMEs developed and the respective capacity of SMEs increased	Implementation of the 2016 A&A Law relating to reporting requirements for small entities enhanced	Implementation of Reporting requirements is inadequate	Implementation of reporting requirements is informed by good international practice	Progress Reports	Cooperation and commitment from the counterparts
		Greater capacity of Trainers, Greater number of Training on IFRS, IFRS for SMEs and micro frameworks	First co-hort of trainers prepared for micro framework	Training of Trainers program tailored to the needs of the respective stakeholder group (IFRS, IFRS for SMEs, micro framework) developed and effectively delivered	Training Materials; Feedback from Training Participants; Progress Reports	
		Implementation of new accounting standards for MSMEs enhanced	MSMEs have low capacity to implement new accounting standards	MSME accountants and owners' capacity in financial reporting increased via dissemination events and workshops for preparers of financial statements in IFRS for SMEs/ accounting framework for micro entities	Training Materials; Feedback from Training Participants; Progress Reports	
		Sustainable mechanism for adopting, translating and maintaining translations of international standards established	No sustainable mechanism is in place	The mechanism and funding arrangements for standards update is developed, as informed by good international practices	Progress Reports	
Outputs	4.2. Capacity of Small and Medium Accounting Practices (SMPs) enhanced	Diagnostic of SME access to financial management skills and services in Georgia conducted	No diagnostic exists	Diagnostic conducted on gaps and access of SMEs to respective financial and management skills, outlining recommendations to minimize the "accounting and management gap", enabling SMEs growth	Completed and disseminated diagnostic on SME access to financial management skills and services	
		Institutional capacity among the local accounting profession enhanced	Small and medium practices have low capacity in assisting Georgian businesses in implementing international	Training Module for SMPs on financial services and business advice for SMEs, including training materials developed and effectively delivered	Training Materials; Feedback from Training Participants; Progress Reports	

			standards to access international export markets or partners			
		Awareness and networks to position the local accounting profession as a trusted business advisor to SMEs beyond compliance services enhanced	Limited awareness by MSMEs about services they can access from local SMPs	Effective knowledge transfer and capacity building through trainings and workshops for SMPs and BSOs on financial services and business advice for SMEs	Progress Reports	
Outputs	4.3. Better Governance and Public Accountability of SOEs	Corporate governance policies of pilot SOEs enhanced	CG Policies Absent, Limited Implementation of CG policies by Large SOEs	Comprehensive diagnostic of corporate governance practices of SOEs in Georgia; AND Individual corporate governance assessment at entity Level (up to 4 pilots)	Individual Assessments for Pilot SOEs; Progress Reports	Commitment to the reforms from MOESD/ NASP/ pilot SOEs
		Corporate governance legal framework assessed, and practices enhanced	Corporate Governance ROSC is outdated (2002)	Corporate Governance ROSC updated, recommendations developed for enhancement of corporate governance framework and practices	Corporate Governance ROSC; Progress Reports	
		Progress on Development of an SOE Ownership Policy	No Ownership Policy developed	SOE Ownership Policy recommendations developed, and inclusive policy dialogue initiated	Response to the SOE Ownership Policy recommendations; Progress Reports	
		SOE oversight and risk management enhanced	Weak risk management and oversight, No aggregated monitoring of SOE fin performance and effectiveness	Methodology for reviewing SOE financial reports, dashboard of key financial performance indicators, including a manual informed by relevant international expertise	Methodology and dashboard for SOE key financial performance indicators developed and disseminated to NASP; Progress Reports	

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		Capacity of the agencies involved in SOE oversight enhanced	Low capacity for SOE oversight at MoESD /NASP	Capacity building activities for respective Government agencies involved in SOE oversight effectively delivered	Feedback from Participants; Progress Reports	
Outputs	4.4. Accounting and Auditing Quality Control enforced	Georgian legislation (secondary) enhanced (<i>if requested by SARAS and the Government</i>)	Drafts developed by SARAS	Policy advice support for Georgian Secondary legislation (<i>if requested by SARAS and the Government</i>)	Progress Reports	
		Capacity of SARAS to effectively and efficiently develop the right processes, procedures and methodologies for enforcement of financial reporting and auditing requirements enhanced	SARAS is a new regulator with limited enforcement capacity	Knowledge transfer and capacity building of SARAS effectively delivered	Progress Reports	
		Accounting and Audit ROSC update conducted, taking stock of the reforms implementation	2015 Accounting and Audit ROSC	Accounting and Audit ROSC report updated and disseminated to the stakeholders (2020-2021)	A&A ROSC Report	
Outputs	4.5. Accounting Education improved and continue to develop	University level accounting and audit curricula enhanced	Existing curricula omits the International Education Standards, applicable to accounting profession	(i) Benchmarking study on existing curricula conducted; (ii) Report with recommendation on the best curriculum model for local universities developed and disseminated.	Benchmarking study and recommendations Report; Progress Reports	
		Manuals and course materials enhanced	Teaching materials used are outdated international text books out of date with current version on standards	Manuals and course materials in line with the updated university level accounting and audit curricula informed by relevant international expertise	Teaching materials presented to the universities; Progress Reports	

		Capacity of accounting education providers (universities, other academia, PAOs, SARAS, Ministry of Education) enhanced	Limited capacity of institutions; No ongoing training for teachers/ professors to keep up with the reforms	Trainings and workshops for education providers (teachers/ professors) effectively delivered	Feedback from participants; Progress Reports	
Outputs	5. Communication Plan			A communication plan will be prepared outlining the key communication activities mainstreamed in each component.		

**INDICATIVE BUDGET FOR THE ACTIVITIES SET FORTH IN SECTION 2 OF
ANNEX 1 TO THIS ADMINISTRATION AGREEMENT**

Expenditure Category	Amount in Euro
Staff and individual consultant services	3,018,000
Cost of travel	774,900
Cost of training and workshop	299,600
Other services including translation	182,500
Sub-total	4,275,000
Administration fee (5%)	225,000
Total	4,500,000

The amount estimated for personnel is calculated considering different levels of expertise estimated to be required for carrying out the activities described in Annex 1.

The World Bank Group entity may transfer amounts between categories of the indicative budget. This does not require an amendment of the Administration Agreement if the Action is carried out as described in Annex 1 – Trust Fund Description.