

Ministry of Internally Displaced Persons from  
Occupied Territories, Labor, Health and Social Affairs  
A. Tsereteli Ave. N144  
Tbilisi  
Georgia

Salvatore Calanduccia  
Our ref.: CaSa  
Phone: +49 69 7431-1157  
Fax: +49 69 7431-661157  
Salvatore.Calanduccia@kfw.de

29.10.2020

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**German Financial Cooperation with Georgia  
Social Security in the context of the COVID-19 Pandemic Separate Agreement to  
the**

- I) **Loan Agreement dated 29 October 2020**  
EUR 15,000,000.00; BMZ-No. 2020 651 42  
(the "Loan Agreement")
- II) **Grant Agreement dated 29 October 2020**  
EUR 5,812,042.49; BMZ-No. 2020 684 43  
(the "Grant Agreement", "Financial Contribution")
- (together referred to hereinafter as the "Grant and Loan Agreements")**

Dear Sirs,

In accordance with the Grant and Loan Agreements entered into between Georgia, represented by the Ministry of Finance ("Borrower" and/or "Recipient") and KfW ("KfW") dated 29.10.2020 the following shall be determined by separate agreement:

**Pursuant to Article 1.2 of the Loan Agreement and Article 1.2 of the Grant Agreement:**

the details of the Project, eligible recipients as well as the services to be financed from the Loan and the Financial Contribution respectively;

**Pursuant to Article 2.1 of the Loan Agreement and Article 2.1 of the Grant Agreement:**

the disbursement procedure, in particular the evidence proving that the disbursed amounts from the Loan and the Financial Contribution are used for the stipulated purpose;

**Pursuant to Article 7.2 of the Loan Agreement and Article 6.2 of the Grant Agreement:** the details pertaining to Article 7.1 (The Project) of the Loan Agreement and the details pertaining to Article 6.1 (The Project) of the Grant Agreement.

We propose that the following be agreed upon:

**1. Project Design**

**1.1 Details of the Project**

- 1.1.1 The Project concerns the financing of expenditures incurred by the Government of Georgia, in the context of the execution of this Agreement represented by the Ministry of Internally Displaced Persons from Occupied Territories, Labor, Health and Social Affairs ("MoILHSA") through Social Assistance payments (as defined below) made to eligible beneficiaries ("Eligible Beneficiaries"). The purpose of the Project is the financial strengthening of the Georgian Social Security system with the aim of alleviating the economic consequences of the COVID-19 pandemic for Georgian households. The criteria for reaching these objectives, the Project results and the required Project activities as well as the assumptions underlying the Project purpose and the Project results are contained in Annex 1.
- 1.1.2 The Project is strictly focused on the Emergency COVID-19 response social protection measures implemented by the Government of Georgia and co-finances the World Bank Emergency COVID-19 Response Project. The design of the Project is based on the documents "Project Appraisal Document" as approved by the Board of the World Bank on April 2, 2020 as well as the "Project Operations Manual" (the "POM") outlining details of the Emergency COVID-19 Response Project as approved by the World Bank both available to KfW and MoILHSA.
- 1.1.3 The following Project activities shall be financed from the Loan: MoILHSA shall use the Loan to finance expenditures arising from temporary unemployment assistance benefits for Eligible Beneficiaries who lost their job because of the COVID-19 Outbreak. The Loan will refinance temporary unemployment assistance for private sector formal wage workers as well as support the introduction of a one-off benefit targeted to self-employed and informal workers who lost their income because of the economic downturn resulting from the measures adopted to contain the outbreak.
- 1.1.4 The following Project activities shall be financed from the Grant: MoILHSA shall use the Grant to finance expenditures arising from financial transfers to poor and vulnerable households in the context of the Targeted Social Assistance ("TSA") Program. The Grant will support (a) the scale-up of the TSA program for extremely poor households; (b) a new temporary cash benefit for vulnerable households; and (c) a top-up benefit for children from socially vulnerable households.. MoILHSA may use up to EUR 200,000 of the Grant for capacity

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support by external consultants. The Grant shall also be used for financing the costs for international audit services.

- 1.1.5 The terms "Social Assistance" and "Social Assistance Program(s)" shall encompass all activities to be financed out of the Loan and the Grant (as further defined under paragraph 1.1.3 and 1.1.4 a), b) and c)).
- 1.1.6 The detailed allocation of Grant and Loan funds to different measures is contained in Annex 3.

## 1.2 **Time Schedule**

- 1.2.1 The underlying time schedule for the preparation, implementation and operation of the Project is contained in Annex 2.

## 1.3 **Total Cost and Financing**

- 1.3.1 The estimated total Project cost ("Total Cost") underlying the Project appraisal is EUR 20,812,042.49. The Loan amount is EUR 15 million, the Grant amount is EUR 5,812,042.49. The composition of Total Costs and the financing plan are contained in Annex 3 as well as Annex 4 (Disbursement Procedures).

## 1.4 **Changes in the Project Design**

- 1.4.1 Any major changes in the Project design (as set out above) shall require KfW's prior consent. MOILHSA shall inform KfW thereof immediately, stating the reasons, the planned measures and the consequences of the change (including on Total Cost). Execution of such measures may commence only on the basis of revised planning and upon KfW's written consent.

## 2. **Project Implementation**

### 2.1 **Responsibilities and Time, Cost and Financing Schedule**



- 2.1.1 The Ministry for Internally Displaced Persons from Occupied Territories, Labor, Health and Social Affairs (MoILHSA) shall be responsible for the implementation of the Project.
- 2.1.2 In the context of the Emergency COVID-19 Response Project co-financed by World Bank and Asian Infrastructure Investment Bank, MoILHSA has established a Project Implementation Unit (the "PIU") within its institution. The PIU shall be in charge of the coordination of all Project activities and day-to-day management of the Project.
- 2.1.3 MoILHSA and the PIU shall cooperate with the following local institutions in the implementation of the Project:

Name	Task
(a) Ministry of Finance (MoF)	MoF will have a focal point at the Deputy Minister's level that will ensure the general financial oversight of the project implementation. There will be two main departments of the MoF actively involved in the implementation process of the Project, i.e. Public Debt Management and Budget departments alongside with the European Integration and Programmes Division.
(b) Revenue Service	The Revenue Service will compile a list of laid-off workers based on companies' income tax declarations and will validate the accuracy of bank account details. It will submit the list of unemployed people and their bank account details to the State Employment Support Agency (SESA) under the MoILHSA.
(c) State Employment Support Agency ("SESA")	SESA is a legal entity of public law, a state-subordinated institution under the administration of the MoILHSA. SESA will pay the unemployment benefits of laid-off workers to the bank accounts provided by the Revenue Service and by the beneficiaries.
(d) Social Service Agency ("SSA")	SSA is a legal entity of public law, a state-subordinated institution under the MoILHSA, administers the state social protection and health programs, notably, state pension, targeted social assistance, as well as universal health care programs. All benefits for poor and vulnerable people will be implemented through SSA, which will determine and verify eligibility for those programs and will make payments through the Liberty Bank.



2.1.4 Chapters III, IV and VI as well as annexes A, B, C and D of the POM (Annex 8 and integral part of this Separate Agreement) contain inter alia detailed descriptions of:

- a) Tasks, roles and responsibilities of MoILHSA, PIU, MoF, Revenue Service, SESA, SSA and all other institutions involved;
- b) Definitions of eligibility of beneficiaries for the different Social Assistance Programs as well as the corresponding legal bases (such as corresponding resolutions of the Government of Georgia or amendments thereto);
- c) Step-by-step explanations and flow charts of implementation procedures including **cross-check and verification points** as well as all relevant forms to be submitted to the PIU by SSA and SESA;
- d) Other relevant legal frameworks, such as Data Security;

With the exception of Procurement (which is detailed under paragraph 2.3), the Disbursement Procedure (which is detailed under paragraph 3.2 and Annex 4) and reporting requirements (which are detailed under Annex 7) all provisions included in the POM as approved by the World Bank shall also be adopted for the implementation of the Project. All stipulations of the Compliance Covenants Annexes of the Grant and Loan Agreements remain unaffected and therefore mandatorily binding on MoILHSA.

2.1.5 As per Article 1.2(i) of the Grant Agreement and Article 1.2(i) of the Loan Agreement up to 30% of the respective amounts may be used to reimburse expenditures arising from Social Assistance payments which have been disbursed by MoILHSA in the context of the COVID-19 pandemic up to four months prior to the entering into force of the respective Grant and Loan Agreements ("Retroactive Financing"). Expenditures shall only be eligible for Retroactive Financing if:

- a) they were made in the period specified in the Grant and Loan Agreements;
- b) they have not yet been reimbursed by other external financiers, such as international donor organizations (i.a. World Bank, Asian Infrastructure Investment Bank) or any other programs;
- c) the corresponding payments were made to Eligible Beneficiaries only;

The reimbursement application for Retroactive Financing to be submitted to KfW shall include a confirmation to the above-mentioned points from the Directors or Deputy Directors of SSA or SESA (as the case may be), the Head of Internal

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Audit Department of MoILHSA and the Head of the PIU. All documents related to the retroactively financed expenditures covered by this application must be available for the examination by external auditors and by KfW.

- 2.1.6 MoILHSA shall engage individual consultant(s) to support the PIU during the implementation of the Project. The consultant(s) may support the PIU in terms of reporting, financial management or social standards.

## 2.2 **Environmental, Social and Health & Safety Compliance**

- 2.2.1 MoILHSA and the PIU shall at all times carry out their operations in compliance with all applicable national environmental, occupational health & safety and social laws and regulations.
- 2.2.2 MoILHSA shall inform KfW immediately in case the Project presents a change in the nature of the financed activities. On such cases, MoILHSA should assess whether the initial Environmental and Social classification of the Project remains accurate within Category C (no or only minor adverse environmental and social impacts or risks), or whether it results in higher impacts/risks and shall thus be reclassified (Category B or higher) and suggest appropriate measures to manage the new Project situation.
- 2.2.3 MoILHSA shall comply with the Fundamental Conventions of the International Labour Organization (ILO).
- 2.2.4 MoILHSA shall ensure that occupational and public health and safety provisions are consistent with national requirements and international good practice and, if available, put forward to contractors, subcontractors, and to suppliers, in particular those for major supply items. MoILHSA shall further ensure that Project implementation is consistent with applicable occupational health and safety sections of the general World Bank Environmental Health and Safety Guidelines.
- 2.2.5 MoILHSA shall provide the publicly available possibility for general inquiries and for the submission of suggestions or complaints from interested stakeholders and persons involved in Project implementation. To this end, MoILHSA shall apply the Grievance Mechanism as established under the World Bank Emergency Response Project.

## 2.3 **Procurement and Contractual Provisions**

- 2.3.1 All Tender Processes (as defined in the "Guidelines for the Procurement of Consulting Services, Works, Plant, Goods and Non-Consulting Services in Financial Cooperation with Partner Countries" attached in Annex 5 (the

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"Procurement Guidelines") to be conducted for any service contract, such as for the assignment of individual consultants as described under 2.1.3), financed under the Grant Agreement shall at all time follow:

- a) the Procurement Guidelines; and
  - b) the procurement plan attached in Annex 6 as amended or restated from time to time in agreement with KfW (the "Procurement Plan"),
- unless otherwise agreed between KfW and MoILHSA in writing.

Article 1.6.2 of the Procurement Guidelines requires the preparation of a procurement plan in the form of Appendix 2 of the Procurement Guidelines which identifies the respective Tender Processes (as defined in the Procurement Guidelines) for all contracts financed under the Loan Agreement.

The Procurement Plan shall (i) cover the entire lifetime of the Project and (ii) shall in its initial version provide details for at least the initial 18 months as of the date of the Grant Agreement. The Procurement Plan shall be reviewed and, if necessary, revised thereafter annually and, in case of a revision, such revised version shall be submitted promptly to KfW for No-Objection (as defined in the Procurement Guidelines).

2.3.2 MoILHSA shall provide KfW with the relevant documents and information necessary for KfW's monitoring and review of the Tender Process as outlined in Chapter 1.6 of the Procurement Guidelines.

2.3.3 The contractual provisions as outlined in the Procurement Guidelines (see Chapter 2.4 and appendices 7 (Contractual Provisions) and 8 (Models for Guarantees and Securities) to the Procurement Guidelines) shall be incorporated into each contract financed under the Loan Agreement and, in addition thereto, the following principles shall be observed when concluding contracts financed under the Loan Agreement:

- a) As import duties shall not be financed from the Loan pursuant to Article 1.3 of the Loan Agreement and Article 1.3 of the Grant Agreement, such import duties, if part of the contract value, shall be stated separately in the contracts for the works, plant, goods and services and in the invoices.
- b) If payments due under a contract for works, plant, goods and services are to be made from the Loan, such contract shall include a provision stipulating that any reimbursements, guarantee or similar claimable payments and any insurance payments shall be made for account of MoILHSA to the following account at KfW, Frankfurt am Main, IBAN: DE53 5002 0400 3800 0000 00, BIC: KFWIDEFF, with KfW then crediting such payments to the account of MoILHSA. If such payments are made in local currency, such payments shall



be made to a special account of MoILHSA in the country of MoILHSA and may only be disbursed further with the prior written consent of KfW. Such funds may be re-utilized for the execution of the Project with KfW's prior written consent.

#### 2.4 **Provisions for the Proper Operation of the Project**

MoILHSA shall submit to KfW a financial forecast. This forecast is to show the expenses to be reimbursed by the Project. MoILHSA shall periodically update this forecast. MoILHSA shall transmit such financial forecast and its revised versions to KfW without any delay.

### 3. **Contracts for Works, Goods, Plant and Services, Reservations and Disbursement**

#### 3.1 **Contracts and Reservations**

3.1.1 KfW will either reserve the Grant and Loan amounts on the basis of the contracts concluded for consultants or in case of collective reimbursement of Social Assistance expenditures on the basis of the estimated needs of the entirety of the Social Assistance payments expected (based on the forecast described under paragraph 2.4). Accordingly, KfW shall be furnished with the reimbursement forms submitted from SESA and SSA to the PIU.

3.1.2 KfW shall inform MoILHSA upon request of the amounts of the Loan that it has reserved for financing by providing a list of reservations (KfW- "LOGAS", KfW-List Of Goods And Services).

#### 3.2 **Disbursement Procedure**

The disbursement of the Loan and the Grant is subject to the procedures as stipulated in Annex 4 ( "Disbursement Annex") which forms an integral part of this Agreement. This Disbursement Annex contains the legal provisions and standards concerning the procedures to be used, governing among others, obligations with regard to bank account details, liability in the payment process, exchange rates, specimen signatures, disbursement requests and the documentation to be provided for evidence of use of funds.

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#### 4. Reporting and Other Provisions

##### 4.1 Reporting

4.1.1 Until further notice, MoILHSA shall report to KfW quarterly on the progress of the Project (progress reports), as well as on the development of all other important general conditions including environmental and social performance, topics of occupational health and safety and labour conditions, community relations and grievances which may have occurred. The reporting requirements are further defined in Annex 7.

4.1.2 In addition to the requirements under paragraph 4.1.1, MoILHSA shall report on all circumstances that might jeopardize the achievement of the overall objective, the Project purpose and the results.

- a) With regard to environmental and social matters, including occupational and community health & safety and labor issues as well as impacts on adjacent population, MoILHSA shall notify KfW promptly of any event, incident or accident in relation to the Project execution, regarding details of

(i) any incident of an

- environmental nature;
- occupational health and safety nature;
- public health and safety nature

(in particular, but not limited to, any explosion, spill or workplace accident which results in death, serious or multiple injuries or material environmental contamination, accidents of members of the public/local communities, resulting in death or serious or multiple injuries, sexual harassment and - violence involving project workforce);

(ii) any incident of a social nature (including without limitation any violent labour unrest or dispute with local communities);

(iii) any other incident of an environmental or social nature occurring on or nearby any site, plant, equipment or facility of the Project Executing Agency (the incidents mentioned in (i) to (iii), in the following the "Incidents")

which

- has, or is likely to have a material adverse effect; or
- has attracted or is likely to arouse substantial adverse attention of outside parties or to create substantial adverse media/press reports; or

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- gives, or is likely to give rise to material potential liabilities.

b) Notification will comprise, in each case, (i) a specification of the nature of the Incidents and the on-site and off-site effects of such Incidents and (ii) details of any action MoILHSA proposes to take in order to remedy the effects of these Incidents. MoILHSA shall keep KfW informed about any progress in respect of such remedial action.

4.1.3 At the time of the completion of the Project, MoILHSA shall submit a final report on the measures carried out. The first report on the state of affairs shall be submitted one month after the signing of this Agreement. The reports must have been received by KfW not later than 4 weeks after the end of the period under review.

4.1.4 After completion of the Project, MoILHSA shall report on its further development (see Annex 7 for details). KfW shall in due course inform MoILHSA about the end of the reporting period.

#### 4.2 Other Provisions

4.2.1 MoILHSA shall send KfW all such documents as are necessary for KfW to give the comments and approvals mentioned above or in the enclosed Procurement Guidelines early enough to allow reasonable time for examination.

4.2.2 MoILHSA shall include a message on its homepage that will contain at least the following message:

"A development project of Georgia, co-financed by the Federal Republic of Germany through KfW."

4.2.3 The above provisions may be amended or modified at any time by mutual consent if this should appear useful for the implementation of the Project or the execution of the Grant and Loan Agreements. In all other respects, the provisions of Articles 6.3, 8 and 9 of the Loan Agreement and Articles 5.2, 7 and 8 of the Grant Agreement shall apply to this Agreement accordingly.

Please confirm your consent to the above Agreement by signing in a legally binding form and returning the enclosed copies.

Yours sincerely,

KfW



Klaus Vogel  
Director KfW Regional Office



Hans Riech  
Senior Project Manager



Annexes

- Annex 1: Results Matrix
- Annex 2: Time Schedule
- Annex 3: Total Cost and Financing
- Annex 4: Disbursement Procedure
- Annex 5: Guidelines for the Procurement of Consulting Services, Works, Plant, Goods and Non-Consulting Services in Financial Cooperation with Partner Countries
- Annex 6: Procurement Plan
- Annex 7: Content and Form of Reporting to KfW
- Annex 8: Project Operations Manual of the Emergency COVID-19 Response Project co-financed by World Bank and Asian Infrastructure Investment Bank

Read and agreed:

Tbilisi, 30.10.2020

Georgia, represented by its Ministry for Internally Displaced Persons from Occupied Areas, Labor, Health and Social Affairs

Name:

Title:

Ministry for Internally Displaced Persons from Occupied Territories, Labor, Health and Social Affairs

*Ekaterine Tikhadze*

*Minister*

## Results Matrix: Social Security in the context of the COVID-19 Pandemic

BMZ. Nos. 2020 684 43; 2020 651 42

Objectives	Indicators	Sources	Assumptions
Project objective: Financial strengthening of the Georgian Social Security system with the aim of alleviating the economic consequences of the COVID-19 pandemic for Georgian households	Project indicator: Share (%) of the population in the poorest quintile who are receiving FC-financed COVID-19 pandemic related social assistance transfers. Baseline value: 36% Target value: 49% <sup>1</sup>	PIU reporting	-
	Project indicator: Share (%) of female Applicants among all Applicants that receive FC-financed COVID-19 pandemic related social assistance programs Baseline value: to be determined Target value: 50%	PIU reporting	-
Outputs	Indicator 1.1: Number of vulnerable households that receive FC-financed COVID-19 related Social Assistance	PIU reporting	Assumption: Targeted Social Assistance will only be financed

1. Target value of World Bank Emergency Response equals 45% through an investment of EUR 43.67 million. Estimated increase of the target value through FC-investment by additional 4 percentage points. 2. Target value of World Bank Emergency Response equals 5,900 through an investment of EUR 8,09 million. Target value of World Bank Emergency Response equals 340,000 through an investment of EUR 35.57 million.

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Objectives	Indicators	Sources	Assumptions
Output 1: Social Assistance transfers were disbursed.	transfers via the Targeted Social Assistance Program Baseline value: 0 Target value: 4,200 <sup>2</sup>		out of Grant Agreement.
Output 2 :Adequate measures have been taken to encourage women to apply for social security measures	Indicator 1.2: Number of informal workers that receive FC-financed COVID-19 related Social Assistance transfers Baseline value: 0 Target value: 140,000 <sup>3</sup> Indicator: Adequate measures have been taken to encourage women to apply for social security measures yes/no	PIU reporting	
<b>Activities within the project</b> Financing of Social Assistance transfers Implementation of adequate measures to encourage women to apply for social security measures	Do not fill!	Do not fill!	-

2 Target value of World Bank Emergency Response equals 5,900 through an investment of EUR 8,09 million. Target value of World Bank Emergency Response equals 340,000 through an investment of EUR 35.57 million.

Target value of World Bank Emergency Response equals 340,000 through an investment of EUR 35.57 million.



**Time Schedule for the Project: Social Security in the context of the COVID-19  
Pandemic**

	Year 1				Year 2			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1. Disbursement of Social Assistance Transfers (Targeted Social Assistance, Temporary Unemployment Assistance, One-off benefits for informal workers)								
2. Procurement of Individual Consultants								
3. International Audit								

# Total Cost and Financing: Social Security in the context of the COVID-19 Pandemic

Project activities	COST				FINANCING			
	Local costs	Foreign exchange costs	Total cost		FC GRANT BMZ 2020 684 43	FC LOAN BMZ 2020 651 42	Partner Country Counter Contribution	
	Local currency in 1,000	EUR in 1,000*)	Local currency in 1,000	EUR in 1,000*)	EUR in 1,000*)	EUR in 1,000*)	EUR in 1,000*)	source of financing
1) Financing of Targeted Social Assistance for vulnerable households		5,712		5,712	5,712			
2) Individual Consultants for PIU support		30		30	30			
3) International Audit		70		70	70			
4) Temporary Unemployment Assistance		10,000		10,000		10,000		
5) One-off benefit targeted to self-employed and informal workers		5,000		5,000		5,000		
<b>TOTAL COST AND FINANCING</b>		<b>20,812</b>		<b>20,812</b>	<b>5,812</b>	<b>15,000</b>		
*) converted at exchange rate of October 29, 2020								

## **Disbursement procedure**

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Officer in Charge: Eva-Maria Rommel  
phone: 0049 69 7431 2928  
email: eva-maria.rommel@kfw.de

## Disbursement Procedure

German Financial Cooperation with Georgia  
Project: Social Security in the context of the COVID-19 Pandemic  
Loan Agreement of KfW for EUR 15,000,000.00  
Grant Agreement for EUR 5,812,042.49  
KfW-Reference Number: 2020 65 142 (loan) + 2020 68 443 (grant)

### INTRODUCTION

This Annex stipulates the disbursement procedure for funds to be disbursed by KfW (the "**Funds**") under the above-mentioned Loan/ Grant Agreement (the "**Agreement**"). The agreed disbursement procedure allows KfW to monitor the contractual use of Funds and ensures that disbursements are only made in accordance with the progress of the Project/Programme financed.

In accordance with the Articles 2.1 and 6.2 of the loan agreement and 2.1 and 5.1 of the grant agreement, the party authorized to request disbursements shall be **Ministry of Internally Displaced Persons from Occupied Territories, Labor, Health and Social Affairs (MoILHSA)** (the "**Authorized Party**"), represented by the Authorized Representative and duly appointed Authorized Signatories (each as defined in Article 1 below).

Subject to any express provision to the contrary in this Annex, terms used herein shall have the meaning ascribed thereto in the Agreement and the respective Separate Agreement.

Please contact the KfW-official indicated above (quoting KfW's reference number) if you have any questions about the disbursement procedure.

## PART A – General Provisions

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### 1 Disbursement Request

Any disbursement request (including in the case of a disposition fund procedure any pro forma disbursement request to be delivered to KfW in order to provide evidence on the use of Funds) together with such supporting documents as are required to be delivered to KfW as supporting documents to such disbursement requests pursuant to

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the provisions of Part B of this Annex (each a "**Supporting Document**") shall be submitted to KfW in each case by the individuals who have been authorized to do so by the formal representative of the Authorized Party ("**Authorized Representative**") and of whom KfW has received specimen original signatures according to the model provided in Attachment A-1 (the "**Authorized Signatory/Signatories**").

#### Disbursement requests

- shall be based on the models provided in Part B of this Annex,
- shall indicate the KfW reference number,
- shall be numbered consecutively throughout the Project/ Programme,
- shall be duly signed by the Authorized Signatory/Signatories,
- and shall be submitted in original to KfW's FC Disbursement and Loan Management department (BKf).

Exceptions shall be subject to KfW's prior consent. In case of such exceptions, the Authorized Party releases KfW from all liability regarding any damage resulting from false transmission, due in particular to transmission errors, abuse, misunderstanding, or mistakes.

Where Part B provides that any third party shall make any declaration of confirmation *vis-à-vis* KfW on, and/or countersign, a disbursement request or any Supporting Document, such third party (each a "**Certifying Party**") will do so through signature and company stamp and/or full name.

## 2 General Disbursement Provisions

### 2.1 Bank Details

It is the obligation of the Authorized Party to supply KfW with complete and correct bank details for disbursements including correspondent bank details if relevant. KfW shall not be liable for any damage, loss, costs or liability caused by failed bank transfers including, without limitation, if the amount requested by the Authorized Party cannot be credited to the bank account specified in the disbursement request in the currency requested, or if the Authorized Party fails to indicate complete and correct bank account details in the respective disbursement request unless such damage, loss, costs or liability was caused by KfW's gross negligence or wilful misconduct.

If KfW determines that the information provided in the disbursement request is incomplete or incorrect, KfW is, without incurring any liability (other than in the case of KfW's gross negligence or wilful misconduct), entitled to complete or replace the bank account details by using publicly available information (such as Bankers Almanac for determining the correspondent bank) and/or information set out in the underlying invoice. KfW is entitled to use said account details for all further disbursements, unless a subsequent disbursement request by the Authorized Party contains new complete and correct information.





## 2.2 Currency of Disbursement

Except to the extent that the Agreement, the Separate Agreement or this Annex contain any provision to the contrary, disbursements shall be made in the currency indicated in the disbursement request to the bank account specified in the disbursement request.

Notwithstanding the foregoing, if (i) the currency indicated in the disbursement request is not readily available to KfW in the amount requested, or (ii) the disbursement in the currency indicated would contravene any law or regulation applicable to KfW, KfW shall give notice to the Authorized Party and, without incurring any liability (other than in the case of KfW's gross negligence or wilful misconduct), be entitled to disregard the disbursement request. The foregoing shall be without prejudice to the Authorized Party's right to submit another disbursement request for a disbursement in Euro or the currency committed in the Agreement

If the Authorized Party requests a disbursement in a currency other than the currency committed in the Agreement (the "Foreign Currency"), KfW will debit the Project with the total equivalent in the currency committed of the amount expended by KfW for the procurement of the Foreign Currency (inclusive of incidental expenses). Notwithstanding the foregoing, KfW is entitled to request that the final disbursement request shall be for an amount in the currency committed in the Agreement.

If the Authorized Party requests a payment of the equivalent of an amount denominated in one currency (the "**First Currency**") in another currency (the "**Second Currency**") (e.g. equivalent of USD in EUR), KfW shall, unless a clear stipulation to the contrary exists either in the Agreement, the Separate Agreement, this Annex or the contract which forms the basis of the payment, be entitled to use a market-oriented exchange rate to convert the amount from the First Currency to the Second Currency.

## 2.3 Liability Limitation

KfW shall not be liable for delays caused by transferring banking institutions in the disbursement or remittance of Funds or if the Authorized Party fails to provide a duly executed disbursement request in accordance with Articles 1, 2.1 and 2.2 above. If, however, KfW is responsible for any delay, its liability will, other than in cases of gross negligence or wilful misconduct, be limited to the payment of interest accrued.

## 2.4 Disbursement Advice

Following each disbursement, KfW shall send a disbursement advice to the Borrower/Recipient. Provided that an e-mail address has been communicated to KfW using the model in Attachment B, this disbursement advice shall be sent via e-mail on the payment date. If no e-mail address is provided, KfW shall send a summary of disbursement advices to the Borrower/Recipient by regular mail on a monthly basis.

## 2.5 Documentation

Without prejudice to any provisions to the contrary in the Agreement, the Separate Agreement or this Annex, any original documentation evidencing the proper expenditure of Funds disbursed according to the provisions of this Annex (including,

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but not limited to invoices, certificates, etc.) shall be kept for a minimum of five years after completion of the Project/ Programme, and shall be accessible for inspection by KfW or any third party instructed by KfW (e.g. auditors) at all times. Upon request, KfW or any third party instructed by KfW shall be furnished with copies of any such documentation.

To the extent a consultant is involved in the financial administration of a project in a supervisory role, this consultant shall be entitled to receive information directly from KfW with regard to all project related transactions effected by KfW on behalf of the Authorized Party. This includes KfW's list of contracts and amounts reserved for financing under the Agreement and disbursement advices.

### **3 Additional confirmations**

In addition to specific confirmations required in Part B for specific disbursement procedures, each disbursement request shall in addition contain the following confirmations by the Authorized Party:

#### *General confirmations*

- The Authorized Signatory submitting the disbursement request on behalf of the Authorized Party is authorized to do so.
- The goods and/ or services and/or sub-loans to be financed have not already been financed from other grants or long-term loans.
- The facts, statements and representations contained in the disbursement request and any attachments thereto are true and correct.

Each disbursement request shall also repeat all the representations (if any) as are required to be repeated pursuant to the Agreement.

The foregoing is without prejudice to any additional confirmations and information which may be required to be provided on the disbursement request pursuant to Part B of this Annex.

### **Attachments**

- A-1) Model of a Letter Designating Authorized Signatories
- A-2) Model for a letter requesting emailing of disbursement advices

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## MODEL FOR LETTER DESIGNATING AUTHORIZED SIGNATORIES

[Please use official letterhead]

KfW  
Attn. LEe3  
Palmengartenstr. 5-9  
60325 Frankfurt am Main  
GERMANY

**German Financial Cooperation with Georgia**  
**Project: Social Security in the context of the COVID-19 Pandemic**  
**Loan Agreement of KfW for EUR 15,000,000.00**  
**Grant Agreement for EUR 5,812,042.49**  
**KfW-Reference Number: 2020 65 142 (loan) + 2020 68 443 (grant)**

Dear Sir/ Madam,

Reference is made to the Agreement. Capitalised terms used, but not defined herein, shall have the meaning ascribed thereto in the Agreement or, if not defined in the Agreement, in the Separate Agreement pertaining thereto.

We would like to inform you that any one<sup>1</sup> of the persons whose authenticated specimen signature appears below is authorized to sign any paper-based disbursement requests, in each case on behalf of the Borrower/ Recipient/Project-Executing Agency ("Authorized Signatory/ Signatories").

NAME	
FUNCTION	
SPECIMEN SIGNATURE	

NAME	
FUNCTION	
SPECIMEN SIGNATURE	

NAME	
FUNCTION	
SPECIMEN SIGNATURE	

Any previous designations of Authorized Signatories are hereby revoked. To comply with KfW's identification requirements, we hereby enclose legible and certified copies of the identification papers of a) each Authorized Signatory and b) the Authorized Representative. Their authenticity must either have been confirmed by an employee of KfW or the copies must be certified by a notary public or person equivalently empowered.

Yours sincerely,

<sup>1</sup> Please change wording if joint signatures are required.

*hw*

.....  
*Date/ Signature/ Name/ Office of Authorized Representative as designated in Loan/ Grant Agreement*

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MODEL FOR LETTER REQUESTING DISBURSEMENT ADVICES VIA E-MAIL

[Please use official letterhead]

KfW  
Attn. BKf  
Palmengartenstr. 5-9  
60325 Frankfurt am Main  
GERMANY

Fax No.: +49 69 7431-3514

Dear Sir/ Madam,

We kindly request KfW to send disbursement advices to the following e-mail address on the payment date instead of sending a monthly summary of disbursement advices by regular mail.<sup>2</sup> We take note of the fact that this e-mail address will be used **for all Projects/ Programmes** in which we are Borrower/ Recipient/ Project-Executing Agency of KfW. Any e-mail address previously communicated to KfW for this purpose is hereby revoked.

(PLEASE ENTER ONE E-MAIL ADDRESS HERE)<sup>3</sup>

Yours sincerely,

.....  
Date/ Signature/ Name/ Office of Authorized Representative as designated in Loan/ Financing Agreement

<sup>2</sup> Please note that disbursement advices sent via e-mail are .pdf files.

<sup>3</sup> To avoid difficulties in case of a change of responsibilities, KfW recommends entering an unvarying e-mail address such as a group e-mail address.

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## PART B – Disbursement Procedures

The Funds will be disbursed pursuant to the following procedure(s), provided in each case that all conditions for the respective disbursement pursuant to the Agreement and the Separate Agreement (including this Annex) are fulfilled:

Disbursement Procedure	Measures / Contracts to be Financed	According to the Separate Agreement and/or Annex 3 "Cost & Financing" Article/Position
Reimbursement with Auditor	<b><u>to be financed from Loan:</u></b> -Temporary Unemployment Assistance -One-off benefit targeted to self-employed and informal workers	Art. 1.1.3 + Annex 3
	<b><u>to be financed from Grant:</u></b> -Targeted Social Assistance for vulnerable households -Individual Consultants for PIU support -International Audit	Art.1.1.4 + Annex 3

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**1 Reimbursement Procedure with Auditor**

Within the framework of the **Reimbursement Procedure with Auditor**, the Authorized Party shall pay the amounts due in full before submitting a disbursement request to KfW. The pre-financed amounts will be reimbursed by KfW upon receipt and after evaluation of a disbursement request submitted to KfW by the Authorized Party in accordance with the stipulations set forth in Part A of this Annex, provided that each disbursement request shall contain all the information and confirmations as are required by the model in **Attachment B-1**.

A disbursement request may be submitted to KfW either every **three months** beginning with the first payment effected by the Authorized Party or as soon as the total amount pre-financed has reached **EUR 500,000.00**, whichever happens earlier.

Important:

For **Retroactive Financing** Article 2.1.5 of the Separate Agreement shall be applied.

The Authorized Party shall assign an external auditor to examine annually (in compliance with KfW's "Terms of Reference: Audit of Funds under the Reimbursement Procedure", see **Attachment B-1**) whether the payments were effected in accordance with the Agreement and the respective Separate Agreement. An original of each audit report shall be sent to KfW in due course after the period under review. The costs for the auditor shall be paid from Project Funds.

Within the framework of the Reimbursement Procedure with Auditor, each disbursement request must be accompanied by the following Supporting Documents, in each case in accordance with the stipulations set forth in Part A of this Annex :

- Statement of Expenditures (SOE) reflecting the budget agreed upon in the Annex "Total Cost and Financing" of the Separate Agreement;
- In case of Retroactive Financing the disbursement request shall include a confirmation from the Directors or Deputy Directors of SSA or SESA (as the case may be), the Head of Internal Audit Department of MoILHSA and the Head of the PIU (Article 2.1.5 of the Separate Agreement).

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MODEL FOR DISBURSEMENT REQUEST REIMBURSEMENT (Auditor)

Sender:

Authorized Party according to Introduction of Annex  
"Disbursement Procedure" to Separate Agreement

Date

KfW  
Attn. BKf  
Palmengartenstr. 5-9  
60325 Frankfurt am Main  
GERMANY

**German Financial Cooperation with Georgia**  
**Project: Social Security in the context of the COVID-19 Pandemic**  
**Loan Agreement of KfW for EUR 15,000,000.00**  
**Grant Agreement for EUR 5,812,042.49**  
**KfW-Reference Number: 2020 65 142 (loan) + 2020 68 443 (grant)**

**Disbursement Request No.**  
**REIMBURSEMENT PROCEDURE (Auditor)**

In conformity with the enclosed Statement of Expenditures, the following goods/ services were duly supplied/ rendered and **have been paid by us in full**:

SOE No.	Date	Total amount	Amount to be financed by KfW	Amount to be financed by ... <sup>4</sup>
<b>TOTAL AMOUNT REQUESTED FOR DISBURSEMENT<sup>5</sup>:</b>				

We kindly ask KfW to disburse the total amount requested for disbursement from the above-mentioned Agreement as follows:

<b>Beneficiary (company name/ address)</b>	
<b>Account no./ IBAN (if applicable)</b>	
<b>Account-holding bank/ BIC</b>	
<b>Correspondent bank<sup>6</sup>/ BIC</b>	

<sup>4</sup> Only applicable in case of pari passu co-financing.

<sup>5</sup> Please make sure to specify currency.

<sup>6</sup> Only applicable if the account-holding bank is not located in the requested currency's currency area. In this case, please enter the account-holding bank's correspondent bank in the requested currency's currency area.

*lw*

In accordance with the provisions of Part B of the Annex "Disbursement Procedure" to the Separate Agreement, we enclose the following documents as supporting evidence:

- ☐ Statement of Expenditures
- ☐ supplier's/ contractor's confirmation (if applicable)
- ☐ confirmation from the Directors or Deputy Directors of SSA or SESA, the head of Audit Department of MoLHSA and the Head of the PIU **in case of Retroactive Financing** (Art.2.1.5 of the Separate Agreement)

We hereby confirm that

- The Authorized Signatory submitting the disbursement request on behalf of the Authorized Party is authorized to do so.
- The goods and/ or services to be financed have not already been financed from other grants or long-term loans.
- The facts, statements and representations contained in the disbursement request and any attachments thereto are true and correct.

.....  
*Authorized Signatory/ Signatories  
of the Authorized Party*

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Statement of Expenditures (SOE) for KfW Project No./ BMZ No.					
<i>Accounting period:</i> _____					
1	2	3	4	5	6
Sub-Loan/Budget Position according to Annex "Total Cost and Financing"	Amount budgeted/ sub-loan amount	Expenditure in preceding accounting periods	Expenditure in current accounting period	Total expenditure to date	Amount still to be disbursed
TOTAL					

**Note:**

In column 1, please indicate the budget positions according to the Annex "Total Cost and Financing" of the Separate Agreement and allocate the respective contracts concluded to each budget position.

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**TERMS OF REFERENCE (“TOR”)**  
**Assurance Engagement in accordance with ISAE 3000 – revised**  
**for Funds disbursed under the**  
**Reimbursement Procedure or Simplified Reimbursement Procedure**

**The Reimbursements (“Subject Matter”)**

1. The present assurance engagement shall cover all funds pre-financed in full by Ministry of Internally Displaced Persons, Labor, Health and Social Affairs (the “Entity”) which were later on reimbursed by KfW under the financial conditions of KfW grant no. **202068443** and KfW loan no. **202065142** [KfW reference nos.] for “social assistance payments to eligible individuals with the aim of alleviating the consequences of the COVID-19 pandemic” (the “Project”). To this end the Entity cooperates with the Social Service Agency SSA and State Employment Support Agency SESA („Intermediate Agencies”).
2. The preparation of the Project Financial Reports (“Financial Reports”), the Statements of Expenditures (“SOE”) and the related disbursement requests (overall “Subject Matter Information”) is the responsibility of the Entity.
3. The financial information has to be established in accordance with consistently applied accounting standards and the underlying agreements governing the use of funds, notably the Loan/Financing Agreement(s) including the corresponding Separate Agreement as well as other agreements channelling Funds to third parties on a grant or loan basis (together the “Relevant Agreements”).

**Scope**

4. This engagement is a **reasonable assurance engagement** in accordance with International Standard on Assurance Engagements (ISAE 3000 – revised) as published by the International Auditing and Assurance Standards Board of the International Federation of Accountants. This standard requires that the auditor/practitioner will plan and perform procedures considered necessary to obtain reasonable assurance about the Subject Matter Information (including – if necessary – on-site visits).
5. The assurance engagement
  - will be effected annually (“Reporting Period”).
  - shall cover in one single Report (“Report”) exclusively all expenditures listed in the SOE referred to in the Report.

**Objective**

6. The objective of the assurance engagement (“Objective”) is to permit the auditor/practitioner to express a conclusion on the Financial Reports, the SOE and the related disbursement requests as far as the Subject Matter is concerned and to obtain reasonable assurance about whether the Subject Matter Information is free

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from material misstatement regarding proper use of KfW funds according to the criteria mentioned below (paragraph 8).

7. The auditor/practitioner shall consider that mere account transfers, advances to any other accounts, to cash boxes or to service providers which have not been cleared until the end of the Reporting Period cannot be classified as "use of funds" and shall be shown separately in the SOE.
8. In a form that conveys the auditor's/practitioner's position and based on the Subject Matter Information the auditor/practitioner shall express his conclusion with reasonable assurance on the following criteria ("Criteria"), and shall thus confirm whether in all material aspects:
  - (a) The payments by the Entity to the Intermediate Agencies as well as the payments by the Intermediate Agencies to the final beneficiaries (i.e. eligible individuals) have been made in accordance with the conditions of the Relevant Agreements. Where ineligible expenditures are identified, these should be noted separately in the Report.
  - (b) Expenditures are supported by relevant and reliable evidence (such as contracts, invoices, guarantees etc.). There were no indications that these expenditures had already been financed by other sources. In addition, project receivables (such as advances, tax claims ...) which had not been cleared but reimbursed from KfW funds in former Reporting Periods, have been duly cleared in this Reporting Period and been used for project purposes, supported by relevant and reliable evidence.
  - (c) The SOE referred to in the Report can be relied upon to support the related disbursement requests. Clear linkage exists between the SOE and disbursement requests presented to KfW and the accounting records of the Entity.

### Reports

9. The **Report(s)** shall
  - (a) be issued by a renowned auditor/practitioner in English language.
  - (b) be presented annually (signed original(s)) not later than three months after the end of the Reporting Period covered.

The final audit report shall be presented no later than three months after the end of the Reporting Period in which the final reimbursement under the Subject Matter was effected.
  - (c) include at a minimum the following elements:
    - description of the Subject Matter
    - applied criteria to evaluate the Subject Matter and to express the auditor's/practitioner's conclusion as defined under paragraph 8 above
    - identification of the level of assurance obtained
    - informative summary of work performed as to extent, locations, etc.
    - description of significant limitations

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- (d) state in a separate paragraph that taxes or other contributions have not been included in the reimbursement requests to KfW, if the Relevant Agreements prohibit financing of these costs.
- (e) comprise the auditor's/practitioner's statement on the seriousness of observations noted including the consequences of specific deficiencies, if any, also in connection with the internal control system.
- (f) contain the following Annexes:
  - Summary of the auditor's/practitioner's conclusions during the Reporting Period (see Annex A to these ToR)
  - Schedule showing reimbursements by KfW and disbursements by the Entity to final beneficiaries, in particular showing cumulated figures (see Annex B to these ToR)
  - SoE referred to in the Report
  - These Terms of Reference (ToR)

#### **Management Letter / Statement on Internal Control**

10. If considered pertinent, the auditor/practitioner shall prepare a "Management Letter" or "Statement on Internal Control" in which he will:
- (a) give comments, observations and recommendations on the accounting records systems and controls examined during the course of the engagement (with special focus on the handling of project receivables such as advances, tax claims, etc.);
  - (b) identify specific deficiencies and areas of weakness in relevant systems and controls that have come to the auditor's/practitioner's attention and make recommendations for their improvement;
  - (c) report on actions taken by the management to make improvements with respect to deficiencies and areas of weakness reported in the past;
  - (d) bring to the management's attention any other matters that the auditor/practitioner considers pertinent.

#### **Liability**

11. The amount of the professional liability insurance shall be based on local/regional standards for audit companies. When prompted to do so, the auditor/practitioner will provide KfW with evidence of his liability insurance.

#### **Review**

12. The auditor/practitioner shall keep documentation supporting his conclusion until at least five years after completion of the assurance engagement and shall have them accessible at all times for review by KfW or any third party commissioned by KfW.

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**Annex A**

**(to be attached to every Report)**

**SUMMARY [Issued on the auditor's/ practitioner's letterhead]**

**Name of Project / Programme:** .....

**KfW Ref. No.** .....

**Subject Matter:** .....

**Reporting Period:** .....

Within the scope of our reasonable assurance engagement under the above mentioned Project / Programme, performed in accordance with International Standard on Assurance Engagements (ISAE 3000 revised), we express our conclusion on the following points:

Applied Criteria	CONCLUSION (YES/NO)**
a) The payments by the Entity to the Intermediate Agencies as well as the payments by the Intermediate Agencies to the final beneficiaries (i.e. eligible individuals) have been made in accordance with the conditions of the Relevant Agreements. Where ineligible expenditures are identified, these should be noted separately in the Report.	
b) Expenditures are supported by relevant and reliable evidence (such as contracts, invoices, guarantees etc.). There were no indications that these expenditures had already been financed by other sources.  In addition, project receivables (such as advances, tax claims etc.) which had not been cleared but reimbursed from KfW funds in former Reporting Periods, have been duly cleared in this Reporting Period and been used for project purposes, supported by relevant and reliable evidence.	
c) The Statements of Expenditures (SOE) referred to in the Report can be relied upon to support the related reimbursement requests. Clear linkage exists between the SOE, the disbursement requests presented to KfW and the accounting records at the Entity.	
e) No other important findings and observations have been disclosed during the engagement.	
f) All observations raised in former reports have been solved by now (for details please refer to page ..... ) – not applicable in case of first report hereunder.	

\*\* Result "NO" requires a reference to a page/section of the Report.

Date:

Stamp/Signature Auditor / Practitioner:

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[Issued on the auditor's/ practitioner's letterhead]

Annex B

(to be attached to every Report)

KfW Ref. No. ....		SSA	SESA	MOILHSA (Entity)	TOTAL
<b>1. Reporting Period from ... to ...</b>		<b>Currency : .....</b>	<b>Currency : .....</b>	<b>Currency: .....</b>	<b>Currency : .....</b>
a) expenditure**)	/				
b) reimbursements from other donors – if any	less				
c) reimbursements from MOILSHA	less				
d) reimbursements from KfW	less				
e) balance at the end of the Reporting Period (If the balance is not zero, or the expenditure does not correspond to the SOE of the Reporting Period, please explain)	/				
f) total project receivables such as advances, tax claims etc. reimbursed from KfW funds but not cleared by the end of this Reporting Period - if any -	/				

Date:

Stamp/Signature Auditor / Practitioner:

\*\* ) expenditure prefinanced by SSA and SESA as well as own expenditure of MOILHSA (if any

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## Procurement Plan

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## Procurement Plan

(Version No. \_\_\_\_\_, dated \_\_\_\_\_)

Serial No.	Procurement No. <sup>4</sup>	Type <sup>5</sup>	Short Description of Contract Content	Estimated Contract Amount <sup>6</sup>	Source of Funds <sup>7</sup>	Tender Procedure <sup>8</sup>	Stages <sup>9</sup>	Tender Documents <sup>10</sup>	Review by KfW <sup>11</sup>	ESHS risk level <sup>12</sup>	Estimated Tender Publication	Comments <sup>13</sup>
1	Tbd	C	Financial Management Consultant	15.000	KfW	DA	1	KfW	F	Basic	11/2020	
2	Tbd	C	Project Coordination Consultant	15,000	KfW	DA	1	KfW	F	Basic	12/2020	
2	tbd	NC	International Audit Firm	70.000	KfW	LCB	1	KfW	F	Basic	04/2021	

### **Content and Form of Reporting to KfW**

In addition to Reporting Requirements as specified in the "Projects Operations Manual" of the Worldbank project MoLHSA shall quarterly report to KfW on the following issues:

#### **1. Executive Summary:**

to be written in an easily understandable and non-technical language, understandable also to non-experts

- Max. 2-3 pages;
- Contract Value and disbursement status (in %) for each Financing Component (Grant/Loan);
- Listing of important project milestones, compliance with time schedules;
- Major changes to project surroundings, project concept or main components;
- Specific problems/ highlights.

#### **2. Project Environment / PIU**

- Information on developments/ changes of the general economic and sector conditions which are relevant for the successful implementation of the Project;
- changes in project-relevant regulations, especially in the context of Social Assistance;
- Assessment of PIU's capability to implement and operate the project

#### **3. Financial Information**

- Cash Flow:
  - State of disbursements by the end of the reporting period;
- Table with overall state of disbursements of total project volume by the end of the reporting period;
- Table with forecast of disbursements for the next reporting period(s), with estimated time and amount of disbursement requests.
- Report on any circumstances jeopardizing the full financing of the project throughout its duration resp. maximum budget available

#### **4. Quality Management / Internal Audit / Verifications and Checks**

- Description of internal audits during reporting period including all details and measures taken;
- Results of checks of beneficiaries throughout the country (e.g. in case of complaints or any issues that will arise during the process);
- Results of regular random checks of beneficiaries (e.g. 20 beneficiaries per reimbursement submission);
- Status of other open quality issues.

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**5. ESHS Performance**

- Short description of compliance with:
  - i. local and international occupational health and safety standards and ILO core Conventions were met;
  - ii. whether environmental and social management plans (and relevant sub-plans) were adhered to during construction and which additional measures were taken where necessary;
- Suggestions or complaints from interested stakeholders and persons involved in Project implementation. under the Grievance Mechanism as established under the World Bank Emergency Response Project.

**6. Risk Assessment and Prospect of Achieving the Overall Project Goals**

- Analysis of (potential) risks;
- Reasons for deviations or current problems (if any)

**7. Monitoring of Achievements and Impacts**

- Indicator baseline (according to indicators defined in Separate Agreement/ Results Matrix) and progress/ achievements;
- Monitoring of impacts.

**8. Outlook and Recommendations**

- Outlook for the next reporting period (planned activities and results);
- Recommendations and need for action to be taken by project participants.