

Grant Agreement

dated 29 October 2020

between

KfW, Frankfurt am Main
("KfW")

and

Georgia
represented by its Ministry of Finance
("Recipient")

for

EUR 5,812,042.49

- Social Security in the context of the COVID-19 Pandemic -

BMZ-No. 2020 684 43

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On the basis of the verbal note no. 103/2020 dated 17.08.2020 and the verbal note no. 119/2020 dated 11.09.2020 from the Government of the Federal Republic of Germany to the Government of Georgia, the Recipient and KfW hereby enter into the following Grant Agreement (the "Agreement"):

1. Amount and Purpose of the Grant

1.1 KfW shall extend to the Recipient a grant not exceeding

EUR 5,812,042.49

(the "Grant").

This Grant shall not be repayable unless otherwise stipulated in Article 3.2.

1.2 The Recipient shall use the Grant exclusively to reimburse expenditures incurred by it through social assistance payments to people affected by extreme poverty, made in accordance with the Recipient's Targeted Social Assistance Program (as specified in the Separate Agreement, defined below) with the aim of alleviating the consequences of the COVID-19 pandemic (the "Project"), provided that

(i) under the condition of submission of all such evidence specified in the Separate Agreement which is satisfactory to KfW, up to 30% of the Grant may be used to reimburse expenditures arising from social assistance payments which have been disbursed by the Recipient in the context of the COVID-19 pandemic up to four months prior to the entering into force of this Agreement and which have not yet been reimbursed by other external financiers, such as international donor organizations (World Bank, Asian Infrastructure Investment Bank); and

(ii) the remainder of at least 70% of the Grant must be used to reimburse expenditures arising from social assistance payments which have been disbursed by the Recipient after the entering into force of this Agreement

and, in each case, primarily to pay the foreign exchange costs.

The Recipient, in this respect represented by the Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia ("MoILHSA"), and KfW shall determine the details of the Project, the eligible recipients and the goods and services to be financed from the Grant in a separate agreement (the "Separate Agreement").

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- 1.3 Taxes and other public charges to be borne by the Recipient and import duties shall not be financed from the Grant.

2. Disbursement

- 2.1 KfW shall disburse the Grant in accordance with the progress of the Project and upon request of the Recipient, in this respect represented by the Ministry of Internally Displaced Persons from the Occupied Territories Labour, Health and Social Affairs of Georgia ("MoILHSA"). In the Separate Agreement, the Recipient, in this respect represented by the Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia ("MoILHSA") and KfW shall determine the disbursement procedure, in particular the evidence to prove that the requested funds are used for the stipulated purpose.
- 2.2 KfW shall have the right to refuse to make disbursements after 31 December 2022.

3. Suspension of Disbursement and Repayment

- 3.1 KfW may not suspend disbursements unless
- a) the Recipient fails to perform its obligations to KfW to make payments when due,
 - b) obligations under this Agreement or under separate agreements pertinent to this Agreement have been violated,
 - c) the Recipient is unable to prove that the disbursed amounts have all been used for the stipulated purpose,
 - d) the fulfilment of KfW's obligations under this Agreement violates applicable law, or
 - e) extraordinary circumstances arise that preclude or seriously jeopardize the implementation, the operation, or the purpose of the Project.
- 3.2 If any of the situations specified in Article 3.1 b), c) or d) has occurred and has not been eliminated within a period determined by KfW, which shall, however, be at least 30 days, KfW may,
- a) in the case of Article 3.1 b) or d), demand the immediate repayment of all disbursed amounts;

- b) in the case of Article 3.1 c), demand the immediate repayment of such amounts as the Recipient is unable to prove to have been used for the stipulated purpose.

4. Costs and Public Charges

The Recipient shall bear all taxes and other public charges accruing outside the Federal Republic of Germany in connection with the conclusion and execution of this Agreement, as well as all transfer and conversion costs accruing in connection with the disbursement of the Grant.

5. Contractual Statements and Power of Representation

- 5.1 The Minister of Finance of Georgia and such persons as designated by him or her to KfW and authorised by specimen signatures authenticated by him or her shall represent the Recipient during the execution of this Agreement. The Minister of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia ("MolLHSA") and such persons as designated by him or her to KfW and authorized by specimen signatures authenticated by him or her shall represent the Recipient in the implementation of this Project. The powers of representation shall not expire until their express revocation by the representative of the Recipient authorised at the time has been received by KfW.
- 5.2 Amendments or addenda to this Agreement and any notices and statements delivered by the contracting parties under this Agreement shall be in writing. Any such notice or statement shall have been received once it has arrived at the following address of the corresponding contracting party or at such other address of the corresponding contracting party as notified to the other contracting party:

For KfW:

KfW
Postfach 11 11 41
60046 Frankfurt am Main
Federal Republic of Germany
Fax: +49 69 7431-2944

For the Recipient:

Ministry of Finance
16, Gorgasali Street
0114 Tbilisi

Georgia

Email: publicdebt@mof.ge

6. The Project

6.1 The Recipient shall

- a) prepare, implement, operate and maintain the Project in conformity with sound financial practices, in compliance with environmental and social standards and substantially in accordance with the Project conception agreed upon between the Recipient and KfW;
- b) assign any consulting services needed for the proper operation of the Project to independent and qualified consulting firms or individuals;
- c) at all times comply with any procurement provisions stipulated in the Separate Agreement including, if applicable, the respective procurement plan,
- d) ensure the full financing of the Project and, upon request of KfW, furnish to KfW evidence proving that the costs not paid from this Grant are covered;
- e) maintain, and cause all other legal persons involved in the implementation of the Project (including, but not limited to the Social Services Agency, the State Employment Support Agency, the Revenue Service and JS Liberty Bank) to maintain books, accounts and all other relevant records and lists that unequivocally depict all expenditures incurred in relation to the Project, thereby clearly identifying each expenditure to be reimbursed by this Grant;
- f) enable the representatives of KfW at any time to inspect the items listed in e) above and any and all other documentation relevant to the implementation and the operation of the Project, and to visit the Project and all installations related thereto;
- g) furnish to KfW any and all such information and reports on the Project and its further progress as KfW may request;
- h) of its own accord promptly inform KfW of any and all circumstances that preclude or seriously jeopardize the implementation, the operation, or the purpose of the Project. The Recipient, in this respect represented by the Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia ("MoILHSA") and KfW shall determine the details pertinent to Article 6.1 by a Separate Agreement.

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- 6.3 For any transport of the goods to be financed from the Grant, the provisions of the verbal notes, which are known to the Recipient, shall apply.

7. Publication and Transfer of Project-related Information

- 7.1 To comply with internationally accepted principles of utmost transparency and efficiency in the development cooperation, KfW publishes selected information (including results of environmental and social categorization and assessment as well as ex post evaluation reports) about the Project and its financing during pre-contractual negotiations, while the Project-related agreement(s) is (are) being implemented and in the post-contractual stage (hereinafter referred to as the "Entire Period").

The information is published regularly on KfW's website for its business area "KfW Development Bank" (<http://transparenz.kfw-entwicklungsbank.de/>).

The publication of information (either by KfW or third parties in accordance with Article 7.3 below) about the Project and its financing does not include any contractual documentation or any sensitive financial or business-related detailed information about the parties involved in the Project or its financing, such as

- a) information about internal financial data;
- b) business strategies;
- c) internal corporate guidelines and reports;
- d) personal data of natural persons;
- e) KfW's internal rating of the parties' financial position.

- 7.2 KfW shares selected information about the Project and its financing during the Entire Period with the entities mentioned below, particularly to ensure transparency and efficiency:

- a) subsidiaries of KfW;
- b) the Federal Republic of Germany and its competent bodies, authorities, institutions, agencies or entities;
- c) other implementing organisations involved in German bilateral development cooperation, particularly the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH;

- d) international organisations involved in collecting statistical data and their members, especially the Organisation for Economic Cooperation and Development (OECD) and its members.

7.3 Furthermore, the Federal Republic of Germany has requested, KfW to share selected information about the Project and its financing throughout the Entire Period with the following entities, which publish the sections relevant to the purpose:

- a) Federal Republic of Germany for the purposes of the International Aid Transparency Initiative
(http://www.bmz.de/de/was_wir_machen/wege/transparenz-fuer-mehr-Wirksamkeit/index.html);
- b) Germany Trade & Invest (GTAI) for the purposes of market information
(<http://www.gtai.de/GTAI/Navigation/DE/trade.FOO>);
- c) OECD for the purpose of reporting financial flows in the framework of development cooperation (<http://stats.oecd.org/>);
- d) German Institute for Development Evaluation (DEval) for the purposes of evaluating the overall German development cooperation to ensure transparency and efficiency (<http://www.deval.org/de/>).

7.4 KfW further reserves the right to transfer (including for the purposes of publication) information about the Project and how it is financed during the Entire Period to other third parties so as to safeguard legitimate interests.

The information is not transferred by KfW to other third parties if the legitimate interests of the Recipient in the information not being transferred outweigh KfW's interests in it being transferred. The legitimate interests of the Recipient particularly include the confidentiality of the sensitive information mentioned in Article 7.1, which is excluded from publication.

Furthermore, KfW is entitled to transfer information to third parties if this is necessary due to statutory or regulatory requirements or to assert or defend claims or other legal rights in court or administrative proceedings.

8. Miscellaneous Provisions

8.1 The Recipient undertakes to comply at all times with the obligations set out in the Annex (Compliance Covenants).

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- 8.2 If any of the provisions of this Agreement is invalid, all other provisions shall remain unaffected thereby. Any gap resulting therefrom shall be filled by a provision consistent with the purpose of this Agreement.
- 8.3 The Recipient may not assign or transfer, pledge or mortgage any claims from this Agreement.
- 8.4 This Agreement shall be governed by the law of the Federal Republic of Germany. The place of performance shall be Frankfurt am Main.
- 8.5 The legal relations established by this Agreement between KfW and the Recipient shall terminate with the end of the useful life of the Project, but not later than 15 years after the signing of this Agreement.

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Done in 2 (two) originals in the English language.

Frankfurt am Main,

Tbilisi

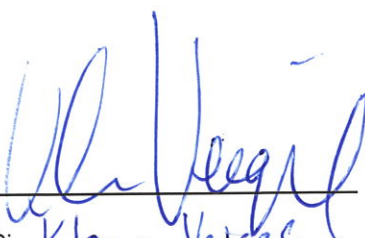
This 29 day of October 2020

This 29 day of October 2020


KfW

For Georgia

represented by its Ministry of Finance


Name: Klaus Veigel
Title: Director KfW Regional Office
Tbilisi


Name: Ivane Matchavariani
Title: Minister of Finance


Name: Hans Rieck
Title: Senior Project Manager

Annex

Compliance Covenants

Compliance Covenants

1. DEFINITIONS

Coercive Practice: the impairing or harming, or threatening to impair or harm, directly or indirectly, any person or the property of the person with a view to influencing improperly the actions of a person.

Collusive Practice: an arrangement between two or more persons designed to achieve an improper purpose, including to influence improperly the actions of another person.

Corrupt Practice: the promising, offering, giving, making, insisting on, receiving, accepting or soliciting, directly or indirectly, of any illegal payment or undue advantage of any nature, to or by any person, with the intention of influencing the actions of any person or causing any person to refrain from any action.

Fraudulent Practice: any action or omission, including misrepresentation that knowingly or recklessly misleads, or attempts to mislead, a person to obtain a financial benefit or to avoid an obligation.

Obstructive Practice: (i) deliberately destroying, falsifying, altering or concealing evidence material to the investigation or the making of false statements to investigators, in order to materially impede an official investigation into allegations of a Corrupt Practice, Fraudulent Practice, Coercive Practice or Collusive Practice, or threatening, harassing or intimidating any person to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or (ii) any act intended to materially impede the exercise of KfW's access to contractually required information in connection with an official investigation into allegations of a Corrupt Practice, Fraudulent Practice, Coercive Practice or Collusive Practice.

Person: any natural person, legal entity, partnership or unincorporated association.

Sanctionable Practice: any Coercive Practice, Collusive Practice, Corrupt Practice, Fraudulent Practice or Obstructive Practice (as such terms are defined herein), which (i) is unlawful under German or other applicable law, and (ii) which has, or potentially could have, a material legal or reputational effect on this Agreement between the Recipient and KfW or its implementation.

Sanctions: the economic, financial or trade sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by any Sanctioning Body.

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Sanctioning Body: any of the United Nations Security Council, the European Union and the Federal Republic of Germany.

Sanctions List: any list of specially designated persons, groups or entities which are subject to Sanctions, as issued by any Sanctioning Body.

2. INFORMATION UNDERTAKING

The Recipient shall

- a) promptly make available to KfW on demand all relevant "know your customer" or similar information about the Recipient as KfW may request;
- b) promptly furnish to KfW on demand all Project-related information and documents of the Recipient and its (sub)contracting and other related parties which KfW requires to fulfil its obligations to prevent any Sanctionable Practice, money laundering and/or terrorism financing as well as for the continuous monitoring of the business relationship with the Recipient which is necessary for this purpose;
- c) inform KfW, promptly and of its own accord, as soon as it becomes aware of or suspects any Sanctionable Practice, act of money laundering and/or terrorism financing related to the Project;
- d) furnish to KfW any and all such information and reports on the Project and its further progress as KfW may request for the purposes of this Annex; and
- e) enable KfW and its agents at any time to inspect all other Project-related documentation of the Recipient and its (sub)contracting and other related parties, and to visit the Project and all installations related thereto for the purposes of this Annex.

3. REPRESENTATION AND WARRANTIES

- 3.1 With regard to German law or the law of the country of the Recipient, the Recipient represents that none of the Persons acting in relation to the Project on the Recipient's behalf has committed or is engaged in any Sanctionable Practice, money laundering or financing of terrorism.
- 3.2 The representation and warranty set forth in this Article is made for the first time by execution of this Agreement. It will be deemed to be repeated upon each drawing of the Grant by reference to the circumstances prevailing at that date.

4. POSITIVE UNDERTAKINGS

The Recipient undertakes, as soon as the Recipient or KfW becomes aware of or suspects any Sanctionable Practice, act of money laundering or financing of terrorism, to fully cooperate with KfW and its agents, in determining whether such compliance incident has occurred. In particular, the Recipient shall respond promptly and in reasonable detail to any notice from KfW and shall furnish documentary support for such response upon KfW's request.

5. NEGATIVE UNDERTAKINGS

The Recipient will not enter into any transactions or engage in any other activities in relation to the Project that would constitute a breach of Sanctions.

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