

**Loan Agreement**

dated 29 October 2020

between

**KfW, Frankfurt am Main,**

(„KfW“)

and

**Georgia**

**represented by its Ministry of Finance**

(“Borrower”)

for

EUR 15,000,000.00

- Social Security in the context of the COVID-19 Pandemic -BMZ-No. 2020 651 42

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On the basis of the verbal note no. 104/2020 from the Government of the Federal Republic of Germany dated 17.08.2020 to the Government of Georgia, the Borrower and KfW hereby enter into the following Loan Agreement (the "Agreement"):

**1. Amount and Purpose of the Loan**

1.1 KfW shall extend to the Borrower a loan not exceeding

EUR 15,000,000.00 (in words: fifteen million Euro)

(the "Loan").

1.2 The Borrower shall use the Loan exclusively to reimburse expenditures incurred by it through social assistance payments to eligible individuals (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 Loan may be used to reimburse expenditures arising from social assistance payments which have been disbursed by the Borrower 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 Loan must be used to reimburse expenditures arising from social assistance payments which have been disbursed by the Borrower after the entering into force of this Agreement,

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

The Borrower, 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, as well as the goods and services to be financed from the Loan in a separate agreement (the "Separate Agreement").

1.3 Taxes and other public charges to be borne by the Borrower and import duties shall not be financed from the Loan.

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## 2. Disbursement

- 2.1 KfW shall disburse the Loan in accordance with the progress of the Project and upon request of the Borrower, 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 Borrower, 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 agree on the disbursement procedure, in particular on the evidence to be furnished by the Borrower to prove that the requested loan amounts are used for the purpose stipulated in this Agreement.
- 2.2 KfW shall have the right to refuse to make disbursements after 31 December 2022.

## 3. Commitment Charge, Interest, and Repayment

- 3.1 The Borrower shall pay a commitment charge of 0.25 % p. a. on undisbursed loan amounts. The commitment charge shall be computed for a period beginning three months after the signing of this Agreement and ending at the date at which disbursements are debited.
- 3.2 The Borrower shall pay interest on the Loan at a rate of 2 % p. a.. Interest shall be charged from the dates at which disbursements are debited to the dates at which repayments are credited to KfW's account, specified in Article 3.9.
- 3.3 The Borrower shall pay the commitment charge, interest, and any charges on arrears pursuant to Article 3.5 semi-annually on 15 May and on 15 November for the half-year then ending. The first commitment charge shall be due together with the first interest payment.
- 3.4 The Borrower shall repay the Loan as follows:

Instalment	Date		Amount	
1	May 15,	2031	375,000.00	EUR
2	November 15,	2031	375,000.00	EUR
3	May 15,	2032	375,000.00	EUR
4	November 15,	2032	375,000.00	EUR
5	May 15,	2033	375,000.00	EUR
6	November 15,	2033	375,000.00	EUR
7	May 15,	2034	375,000.00	EUR
8	November 15,	2034	375,000.00	EUR
9	May 15,	2035	375,000.00	EUR
10	November 15,	2035	375,000.00	EUR



11	May 15,	2036	375,000.00	EUR
12	November 15,	2036	375,000.00	EUR
13	May 15,	2037	375,000.00	EUR
14	November 15,	2037	375,000.00	EUR
15	May 15,	2038	375,000.00	EUR
16	November 15,	2038	375,000.00	EUR
17	May 15,	2039	375,000.00	EUR
18	November 15,	2039	375,000.00	EUR
19	May 15,	2040	375,000.00	EUR
20	November 15,	2040	375,000.00	EUR
21	May 15,	2041	375,000.00	EUR
22	November 15,	2041	375,000.00	EUR
23	May 15,	2042	375,000.00	EUR
24	November 15,	2042	375,000.00	EUR
25	May 15,	2043	375,000.00	EUR
26	November 15,	2043	375,000.00	EUR
27	May 15,	2044	375,000.00	EUR
28	November 15,	2044	375,000.00	EUR
29	May 15,	2045	375,000.00	EUR
30	November 15,	2045	375,000.00	EUR
31	May 15,	2046	375,000.00	EUR
32	November 15,	2046	375,000.00	EUR
33	May 15,	2047	375,000.00	EUR
34	November 15,	2047	375,000.00	EUR
35	May 15,	2048	375,000.00	EUR
36	November 15,	2048	375,000.00	EUR
37	May 15,	2049	375,000.00	EUR
38	November 15,	2049	375,000.00	EUR
39	May 15,	2050	375,000.00	EUR
40	November 15,	2050	375,000.00	EUR

- 3.5 If any repayment instalments are not at the disposal of KfW when due, KfW may increase the rate of interest on arrears to the base rate plus 3 % p.a. for the period beginning with the due date and ending at the date at which such repayments are credited to the account of KfW specified in Article 3.9. The "Base Rate" is the interest rate disclosed by the Deutsche Bundesbank as base rate at the rate applicable on the relevant due date. In the case of interest arrears, KfW may claim damages. Such damages shall not exceed the amount arrived at if interest were charged on such interest arrears at the base rate prevailing at the due date plus 3 % p.a.
- 3.6 Commitment charge, interest, and any charges on arrears pursuant to Article 3.5 shall be computed on the basis of a 360-day year and 30-day months.

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- 3.7 Undisbursed or prematurely repaid loan amounts shall be credited in equal proportions against all outstanding repayment instalments unless KfW at its own discretion determines a different offsetting mode in a particular case, especially in the case of amounts of lesser volume.
- 3.8 KfW shall be entitled to credit, at its discretion, payments received against payments due under this Agreement or under other loan agreements concluded between KfW and the Borrower.
- 3.9 The Borrower shall, under exclusion of any set-off of counterclaims against such payments, remit all payments under this Agreement in Euro to the following account:

Recipient: KfW

SWIFT-BIC: KFWIDEFF

IBAN: DE80 5002 0400 3108 4546 98

#### **4. Suspension of Disbursement and Early Repayment**

- 4.1 Subject to the fulfilment of its obligations under Article 7, the Borrower may at any time
- a) cancel any loan amounts not yet disbursed, and
  - b) repay the Loan in whole or in part in advance of maturity.
- 4.2 KfW may not suspend disbursements unless
- a) the Borrower has failed to perform its obligations to KfW to make payments when due,
  - b) obligations under this Agreement or under separate agreements pertaining to this Agreement have been violated,
  - c) the Borrower is unable to prove that the loan amounts have 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, or the performance of the payment obligations assumed by the Borrower under this Agreement.

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- 4.3 If any of the situations specified in Article 4.2 a), 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 cases specified in Article 4.2 a), 4.2 b) or 4.2 d), demand the immediate repayment of all outstanding loan amounts as well as the payment of all interest accrued and all other incidental charges;
  - b) in the case specified in Article 4.2 c), demand the immediate repayment of such loan amounts as the Borrower is unable to prove to have been used for the stipulated purpose.

## **5. Costs and Public Charges**

- 5.1 The Borrower shall make all payments to be effected under this Agreement without any deduction for taxes, other public charges, or other costs, and shall pay the transfer and conversion costs accruing in connection with the disbursement of the Loan.
- 5.2 The Borrower 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.

## **6. Validity of this Agreement and Representation**

- 6.1 In due course prior to the first disbursement, the Borrower shall furnish to KfW evidence satisfactory to KfW proving that the Borrower has met all requirements under its constitutional and other laws for the valid assumption of all its obligations under this Agreement.
- 6.2 The Minister of Finance of Georgia and such persons as designated by him or her to KfW and authorized by specimen signatures authenticated by him or her shall represent the Borrower during the execution of this Agreement. The Minister of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia ("MoILHSA") and such persons as designated by him or her to KfW and authorized by specimen signatures authenticated by him or her shall represent the Borrower in the implementation of the Project. The powers of representation shall not expire until their express revocation by the representative of the Borrower authorized at the time has been received by KfW.

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- 6.3 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 Borrower

Ministry of Finance

16, Gorgasali Street

0114 Tbilisi

Georgia

Email: publicdebt@mof.ge

## 7. The Project

### 7.1 The Borrower

- a) shall 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 concept agreed upon between the Borrower and KfW;
- b) shall assign any consulting services needed for the proper operation of the Project to independent and qualified consulting firms or individuals;
- c) shall at all times comply with any procurement provisions stipulated in the Separate Agreement including, if applicable, the respective procurement plan;
- d) shall ensure the full financing of the Project and, upon request of KfW, furnish to KfW evidence proving that the costs not paid from this Loan are covered;
- e) shall 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

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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 the Loan;

- f) shall enable the representatives of KfW to inspect the items listed in e) above and any and all other documentation relevant to the implementation and operation of the Project; and to visit the Project and all the installations and offices related thereto;
- g) shall furnish to KfW any and all such information and reports on the Project and its further progress as KfW may request;
- h) shall 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; shall without delay forward to KfW any queries received by the Borrower from the OECD or its members under the so-called "Agreement for Untied ODA Credits Transparency" following the award of the contracts for the supplies and services to be financed from the Loan and shall coordinate the reply to any such query with KfW. The Borrower, in this respect represented by the Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia ("MolLHSA") and KfW shall determine the details of Article 7.1 by the Separate Agreement.

7.3 For any transport of the goods to be financed the provisions of the verbal note, which is known to the Borrower, shall apply.

## 8. Publication and Transfer of Project-related Information

8.1 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 8.3 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 financed, 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.

8.2 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.

8.3 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](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  
(<https://www.gtai.de/gtai-de/trade>);
- c) OECD for the purpose of reporting financial flows in the framework of development cooperation (<http://stats.oecd.org/>);

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- 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/>).

- 8.4 KfW further reserves the right to transfer (including for the purposes of publication) information about the Project and its financing 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 Borrower in the information not being transferred outweigh KfW's interests in it being transferred. The legitimate interests of the Borrower particularly include the confidentiality of the sensitive information mentioned in Article 8.1, 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.

## 9. Miscellaneous Provisions

- 9.1 The Borrower undertakes to comply at all times with the obligations set out in the Annex (Compliance Covenants).
- 9.2 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.
- 9.3 The Borrower may not assign or transfer, pledge or mortgage any claims from this Agreement.
- 9.4 All claims of KfW under this Agreement expire after five years from the end of the year in which any such claim has accrued and in which KfW has become aware of the circumstances constituting such claim or could have become aware of them without gross negligence.
- 9.5 This Agreement shall be governed by the law of the Federal Republic of Germany. The place of performance shall be Frankfurt am Main.
- 9.6 All disputes arising out of or in connection with the present Agreement shall be settled exclusively and finally by an arbitration tribunal. In this regard, the following will apply:
  - a) The arbitration tribunal will consist of one or three arbitrators who will be appointed and will act in accordance with the Arbitration Rules of the International Chamber of Commerce (ICC) applicable from time to time.

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- b) The arbitration proceedings will be conducted in Frankfurt am Main. The proceedings will be held in the English language.

9.7 If and to the extent that the Borrower may now or in future in any jurisdiction claim immunity for itself or its assets and to the extent that a jurisdiction grants immunity to the Borrower and its assets from suit, execution, attachment or other legal process, the Borrower irrevocably agrees to waive such immunity for claims from and in connection with this Loan Agreement to the fullest extent permitted by the laws of such jurisdiction, provided however, that immunity is not waived with respect to

- a) present or future "premises of the mission" as defined in the Vienna Convention on Diplomatic Relations signed in 1961, "consular premises" as defined in the Vienna Convention on Consular Relations signed in 1963 or otherwise used by a diplomat or consular mission of Georgia or any agency or instrumentality thereof (except as may be necessary to effect service of process),
- b) property of a military character or under the control of a military authority or defence agency,
- c) property located in Georgia and dedicated to a public governmental or cultural use (as opposed to a commercial use) or
- d) for the avoidance of doubt, (A) property of the National Bank of Georgia whether or not held in a Georgian or a non-Georgian bank or any other financial institutions, or (B) property located in Georgia of any type covered by Article 2<sup>1</sup> of the Law of Georgia on Enforcement Proceedings.

Georgia reserves the right to plead sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to actions brought against it in any court of or in the United States of America under any United States federal or State securities law.

9.8 This Agreement will not enter into force and effect until the following conditions have been satisfied:

- a) this Loan Agreement has been duly signed by the Minister of Finance of Georgia and KfW;
- b) this Loan Agreement has been ratified by the Parliament of Georgia;

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- c) the ratification has been published in the "Legislative Herald of Georgia";  
and
- d) the Borrower has provided KfW promptly after the ratification with a written confirmation that the Loan Agreement has been duly ratified according to applicable law.

Should the Agreement not have entered into force and effect within six months following the date the last party has signed this Agreement, KfW may, as of the day following the end of the six month period until the date of entry into force, unilaterally withdraw from this Agreement and thus terminate its provisional ineffectiveness by sending a written notification to the Borrower.



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

Frankfurt am Main,

Tbilisi

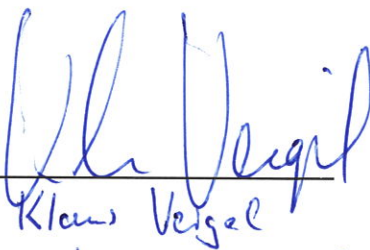
This 29 day of October 2020

This 29 day of October 2020

KfW

For Georgia

represented by its Ministry of Finance



Name: Klaus Veigel

Title: Director of KfW Regional  
Office Tbilisi



Name: Hans Rieck

Title: Senior Project Manager



Name: Ivane Matchavariani

Title: Minister of Finance

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 influence 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) acts 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 Borrower 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.



**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 Borrower shall

- a) promptly make available to KfW on demand all relevant "know your customer" or similar information about the Borrower as KfW may request;
- b) promptly furnish to KfW on demand all Project-related information and documents of the Borrower 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 Borrower 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 Borrower 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 Borrower, the Borrower represents that none of the Persons acting in relation to the project on the Borrower'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 Loan and on each Interest Payment Date, in each case by reference to the circumstances prevailing at that date.

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**4. Positive Undertaking**

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

