

Loan Agreement

dated 7.10.2019

between

KfW, Frankfurt am Main
("KfW")

and

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

for

EUR 60,000,000.00

- Policy Based Loan (PBL) II-

BMZ ID: 2099 19 382

Loan ID: 29486

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P R E A M B L E

KfW and the Borrower have agreed on policy initiatives, setting forth objectives, policies and actions as described in the trigger matrix for the year 2019 (Annex 2 of the Separate Agreement (as defined below) (the "**Trigger Matrix 2019**"), to improve sectoral reform processes in the energy sector in Georgia.

It is envisaged that the programme will be co-financed by a loan of the Agence Française de Développement (AFD) and a grant of the European Union, represented by the European Commission. The European Union has delegated KfW to award this EU grant to Georgia on behalf of the European Union.

The terms and conditions of the Loan comply with the OECD requirements applicable on the date of signing of the Agreement for recognition as Official Development Assistance (ODA).

On this basis and under the condition that the Federal Republic of Germany extends a guarantee for the Loan, KfW will grant a Loan in accordance with the terms and conditions of this Loan Agreement.

1. Loan

- 1.1 *Amount.* KfW will extend to the Borrower a Loan not exceeding a total of

EUR 60,000,000.00
("Loan")

(In words: sixty million Euro).

- 1.2 *Purpose.* The purpose of the Loan is to support the energy sector reform programme of Georgia (the "**Programme**"). The Borrower and KfW will determine the details of the Programme by a separate agreement ("**Separate Agreement**").

- 1.3 *Taxes, charges, customs duties.* Taxes and other public charges owed by the Borrower as well as customs duties will not be financed from the Loan.

2. Disbursement

- 2.1 *Requesting disbursements.* KfW will disburse the Loan in one single disbursement to the Borrower upon receipt of a duly and validly completed and executed Drawdown Notice provided that all conditions precedent to disbursement according to Article 2.3 (*Conditions precedent to disbursement*) have been met. The Drawdown Notice shall only be complete and valid if (i) it is irrevocable and has been submitted to KfW no later than by 12 noon on the tenth Banking Day (as defined in Article 14.1 Banking Day) prior to the disbursement date referred to in the Drawdown Notice; and (ii) it is substantially in the form of Annex 1 (Drawdown Notice).

- 2.2 *Deadline for requesting disbursements.* KfW has the right to refuse to make disbursements after 30 May 2020.

- 2.3 *Conditions precedent to disbursement.* KfW is obligated to make disbursements under this Agreement only if the following conditions

precedent have been fulfilled in a manner satisfactory to KfW in form and substance:

- a) The Borrower will have demonstrated by presenting a legal opinion satisfactory to KfW, and by presenting certified copies (each with an official translation into the language of this Agreement) of all documents to which this Legal Opinion refers, confirming that the Loan Agreement is legally valid, binding and enforceable against the Borrower (including for the avoidance of doubt, a statement regarding KfW's exemption from all taxes on income from interest, charges, fees and similar costs when granting the Loan).
- b) KfW is in possession of an original of this Agreement and the Separate Agreement, each signed with legally binding force;
- c) the specimen signatures mentioned in Article 12.1 (*Representation of the Borrower*) hereof have been received by KfW;
- d) the guarantee from the Federal Republic of Germany mentioned in Article 7 (*Guarantee from the Federal Republic of Germany*) is in force and effect without any restriction;
- e) the Borrower has paid the Management Fee set forth in Article 3.2 (*Management Fee*) hereof;
- f) no reason for termination has occurred, nor has an incident occurred that would become a cause for termination by notification or expiration or ascertainment or fulfilment of a condition (potential reason for termination);
- g) no extraordinary circumstances have arisen that preclude or seriously jeopardise the implementation, the operation, or the purpose of the Programme or the performance of the payment obligations assumed by the Borrower under this Agreement; and
- h) the Borrower has provided evidence to KfW on the fulfillment of the Programme triggers for 2019 as set out in the Trigger Matrix 2019 satisfactory to KfW in form and substance.

KfW has the right prior to any disbursement from the Loan to demand such further documents and evidence as it deems necessary at its

discretion to ascertain the conditions precedent for disbursement specified in this section.

- 2.4 *Details of the disbursement procedure.* The Borrower in this respect represented by the Ministry of Finance and KfW will determine the details of the disbursement procedure by the Separate Agreement and, in particular, the evidence that has to be furnished by the Borrower documenting that the requested Loan amounts are being used for the agreed purpose.
- 2.5 *Right to cancel disbursements.* Subject to the fulfilment of its obligations under Article 10 (*Special obligations*) hereof the Borrower may waive the disbursement of undisbursed Loan amounts with the prior consent of KfW against payment of a **Non-Utilisation Fee** pursuant to and as defined in Article 2.6 (*Non-Utilisation Fee*) hereof.
- 2.6 *Non-Utilisation Fee.* If the Borrower cancels the disbursement of a Loan amount for which an interest rate has already been determined pursuant to Article 2.5 (Right to cancel disbursements) hereof, or if such Loan amount is not disbursed at all or is not disbursed by the deadline stated in Article 2.2 (Deadline for requesting disbursements) hereof, the Borrower will promptly pay to KfW upon its request such amount as is necessary to compensate KfW for any losses, expenses or costs incurred by KfW as a result of the non-disbursement of the Loan amount ("Non-Utilisation Fee"), unless such non-disbursement constitutes a breach of this Agreement by KfW. KfW will calculate the amount of the Non-Utilisation Fee and communicate it to the Borrower.

3. Fees

- 3.1 *Commitment Fee.* The Borrower will pay a non-refundable commitment fee of 0.25% per annum ("**Commitment Fee**") on undisbursed Loan amounts.

The Commitment Fee is due for payment semi-annually in arrears on 15 May and 15 November of each year, for the first time on 15 May 2020 but no earlier than on the respective date following the day on which this Agreement enters into force and effect pursuant to Article 14.10 (*Entry into force and effect*) hereof.

The Commitment Fee will be charged if applicable with retroactive effect for the period beginning six months after the signing of this Agreement and lasting until the date of disbursement of the Loan in full or, if applicable, until the date of definitive termination of disbursements from the Loan.

- 3.2 *Management Fee.* The Borrower will pay KfW a non-refundable one-time lump-sum management fee of 1.00 % of the Loan amount stated in Article 1.1 (*Amount*) hereof ("**Management Fee**").

The Management Fee is payable on the earliest of the following two dates: (i) before the first disbursement or (ii) after three months have elapsed since the signing of this Agreement by KfW or after one month has elapsed since the entry into force and effect of this Agreement (whichever of the dates stated under (ii) occurs later). The Management Fee is due for payment as soon as this Agreement has been signed irrespective of whether the Loan is disbursed in full or only in part or at all.

4. Interest

- 4.1 *Interest.* The Borrower will pay interest to KfW as follows:

Variable Interest Rate with a fixed interest option. The Borrower will pay interest on the Loan in accordance with the following provisions:

- a) *Variable Interest Rate.* At the explicit request of the Borrower, the disbursed Loan amount will bear interest at a variable annual rate on the basis of consecutive interest periods pursuant to Article 4.1 b)

(*Interest period*) hereof (each period an "Interest Period"). The variable interest rate ("Variable Interest Rate") is composed of the Euro Interbank Offered Rate ("EURIBOR") plus a margin of 0.75 % p.a. (in words: zero point seventy five per cent per annum). If the interest rate thus calculated falls below 0 % per annum, the Variable Interest Rate will be 0 % per annum for the relevant Interest Period.

- (i) *Reference interest rate.* The EURIBOR to be applied for the duration of an Interest Period is the annual rate (rounded up to the nearest 1/16th of one percentage point, if necessary) stated on Reuters page EURIBOR01 or, if this page fails to contain the necessary data or is irretrievable, on Bloomberg page Corp EBF (or on a following page replacing the above Reuters or Bloomberg page) about 11:00 a.m. Brussels time on the second Banking Day (as defined in Article 14.1 (*Banking Day*) hereof) before the beginning of the Interest Period as the EURIBOR in euros with a maturity matching the relevant Interest Period or, if the relevant Interest Period does not match any of the maturities quoted by Reuters or Bloomberg, the EURIBOR quoted for the next longer maturity.
- (ii) *Alternate quotation.* If the relevant quotations are not made on the Reuters and Bloomberg pages mentioned in Article 4.1 a) (i) (*Reference interest rate*) hereof or if these pages fail to contain the necessary data or if these pages are unavailable and no Benchmark Discontinuation Date has occurred on or prior to the respective Interest Determination Date, the EURIBOR to be applied for the duration of an Interest Period will be the EURIBOR determined by KfW as being equal to the arithmetic mean of the interest rates per annum (rounded up to the nearest 1/16th of the percentage point, if necessary) at which loans are offered in euros in the European Interbank Market by three leading banks selected by KfW in an amount comparable to the relevant Loan amount and with a maturity that most closely matches the relevant Interest Period on the second Banking Day prior to the beginning of the Interest Period.
- (iii) *EURIBOR discontinuation.* In this connection, the following will apply:

a) *Negotiation*. Upon the Negotiation Kick-off Date the parties will enter into good faith negotiations with a view to agreeing the Replacement Reference Rate, the Margin Adjustment and the Consequential Technical Amendments for the period following the Benchmark Discontinuation Date. The negotiations will take into account the then current market standards and will be conducted with a view to reducing or eliminating, to the extent reasonably practicable, any transfer of economic value from one party to another party.

b) *Cost of funds*. Subject to sub-paragraph (a) (*Negotiation*) above, for any Interest Period following the Benchmark Discontinuation Date, EURIBOR shall be replaced by the rate notified to the Borrower by KfW to be that which expresses as a percentage rate per annum the cost KfW would have of funding an amount equal to the Loan during the relevant Interest Period from whatever source it may reasonably select plus 0.75 % p.a. (in words: zero point seventy five per cent per annum).

(iv) *Definitions*. In this paragraph a) (*Variable Interest Rate*):

Benchmark Discontinuation Date: means (i) the date on which the administrator of EURIBOR has published a notice (including any announcement on its website) that EURIBOR will cease to be provided, (ii) the date on which the competent authority of the administrator of EURIBOR has published a notice (including any announcement on its website) aa) to withdraw the authorisation or registration of the administrator, or bb) to prohibit the use of EURIBOR, (iii) the date on which EURIBOR, based on a legislative act, ceases to be available, or (iv) provided that EURIBOR was not displayed on the relevant page or the relevant page was not available for at least 10 consecutive Banking Days immediately preceding an Interest Determination Date, such Interest Determination Date;

Consequential Technical Amendments: means any consequential amendment to this Agreement required or

event the Borrower desires an Interest Change, the following provisions will apply:

- (i) *Fixed-interest period.* The fixed-interest period extends from the date from which the interest rate fixed on the basis of Article 4.1 c) (iv) (*Fixed interest rate*) hereof below ("**Fixed Interest Rate**") is to be applied at the request of the Borrower ("**Date of Effectiveness**") until payment in full of the last repayment instalment; the Date of Effectiveness must fall on a Payment Date.
- (ii) *Notification of KfW.* The Borrower will notify KfW of its request for Interest Change in a form that essentially matches Annex 2 (*Specimen Application for Interest Change*) hereof. The notification must specify the desired Date of Effectiveness and must be received in Frankfurt am Main, Federal Republic of Germany, by 12:00 noon on the fifteenth Banking Day before the respective Date of Effectiveness at the latest.
- (iii) *Interest rate quotation.* In due time but not later than at 12:00 noon in Frankfurt am Main, Federal Republic of Germany, on the fifth (5th) Banking Day before the Date of Effectiveness. KfW will give the Borrower a non-binding quotation of the fixed interest rate that would be applicable pursuant to Article 4.1 c) (iv) (*Fixed interest rate*) hereof if the change were to take place on the date of such quotation.

If the Borrower irrevocably confirms to KfW the Interest Change and the Date of Effectiveness by 12:00 noon in Frankfurt am Main, Federal Republic of Germany, on the fourth (4th) Banking Day before the agreed Date of Effectiveness at the latest, KfW will then perform the Interest Change as instructed and will inform the Borrower of the Fixed Interest Rate determined on the Date of Effectiveness pursuant to Article 4.1 c) (iv) (*Fixed interest rate*) hereof.

If the Borrower does not accept the Fixed Interest Rate offered by KfW or if KfW has not received the Borrower's confirmation by 12:00 noon in Frankfurt am Main, Federal Republic of Germany, on the fourth (4th) Banking Day before the respective

Date of Effectiveness, then KfW will not effect a change from the Variable to a Fixed Interest Rate.

- (iv) *Fixed Interest Rate.* KfW will determine the Fixed Interest Rate on the basis of the capital market conditions then prevailing in the European Monetary Union for long-term loans taking into consideration the costs incurred by KfW plus a margin of - 0.75 - % per annum (in words: zero point seventy five per cent per annum). If the interest rate calculated accordingly falls below 0 % per annum, the Fixed Interest Rate will be 0 % per annum. The Fixed Interest Rate thus determined will apply until the last repayment instalment has been received in accordance with the repayment schedule set out in Article 5.1 (Repayment schedule) hereof. KfW will inform the Borrower promptly of the Fixed Interest Rate.
- (v) *Non-Utilisation Fee.* If following notification pursuant to Article 4.1 c) (iii) (*Interest rate quotation*) hereof KfW has set a Fixed Interest Rate for a Loan amount pursuant to Article 4.1 c) (*Change to fixed interest rate at the request of the Borrower*) hereof and if the Borrower then cancels the Interest Change or if the Interest Change is cancelled for other reasons for which KfW is not accountable, the Borrower will pay KfW on request such Non-Utilisation Fee as is necessary to compensate KfW for any losses, expenses or costs incurred by KfW as a result of such cancellation without delay. KfW will calculate the amount of the Non-Utilisation Fee and communicate it to the Borrower.
- (vi) *No reconversion.* After an Interest Change, a reconversion from a fixed interest rate to a variable interest rate is excluded.

4.2 *Interest calculation.* Interest on the disbursed Loan amount will be charged from the date (inclusively) on which the Loan amount is disbursed from the Loan account held with KfW for the Borrower until the date (exclusively) on which the respective repayments are credited to KfW's account specified in Article 6.3 (*Account number, time of crediting*) hereof. If an Interest Change pursuant to Article 4.1 c) (*Change to fixed interest rate at the request of the Borrower*) hereof has been effected, interest will be calculated including the day on which the repayments are

credited, with no interest charged for the Date of Effectiveness. Interest will be calculated in accordance with Article 6.1 (*Calculation*) hereof.

4.3 *Payment Dates.* Interest will be due in arrears for payment on the dates specified below (each a "**Payment Date**"):

- a) prior to the due date of the first repayment instalment, on 15 May and 15 November of each year, but no earlier than on the Payment Date following the day on which this Agreement enters into force and effect pursuant to Article 14.10 (*Entry into force and effect*) hereof;
- b) on the due date of the first repayment instalment pursuant to Article 5.1 (*Repayment schedule*) hereof together with such instalment;
- c) thereafter on the due dates of the repayment instalments pursuant to Article 5.1 (*Repayment schedule*) hereof.

5. Repayment and prepayment

5.1 *Repayment schedule.* The Borrower will repay the Loan as follows:

Instalment	Due Date	Repayment installment in EUR
1	15 November 2024	2,857,142.85
2	15 May 2025	2,857,142.85
3	15 November 2025	2,857,142.85
4	15 May 2026	2,857,142.85
5	15 November 2026	2,857,142.85
6	15 May 2027	2,857,142.85
7	15 November 2027	2,857,142.85
8	15 May 2028	2,857,142.85
9	15 November 2028	2,857,142.85

10	15 May 2029	2,857,142.85
11	15 November 2029	2,857,142.85
12	15 May 2030	2,857,142.85
13	15 November 2030	2,857,142.85
14	15 May 2031	2,857,142.85
15	15 November 2031	2,857,142.85
16	15 May 2032	2,857,142.85
17	15 November 2032	2,857,142.85
18	15 May 2033	2,857,142.85
19	15 November 2033	2,857,142.85
20	15 May 2034	2,857,142.85
21	15 November 2034	2,857,143.00

This Repayment Schedule may be adjusted from time to time in accordance with Art. 5.5.

5.2 *Undisbursed Loan amounts.* Undisbursed Loan amounts will be offset against the respective last repayment instalment due pursuant to the repayment schedule set forth in Article 5.1 (*Repayment schedule*) hereof unless KfW at its own discretion chooses another offsetting alternative in individual cases.

5.3 *Repayments in case of incomplete disbursement.* If a repayment instalment is due before the Loan has been disbursed in full, this will not affect the repayment schedule pursuant to Article 5.1 (*Repayment schedule*) hereof as long as the repayment instalment due under the repayment schedule is lower than the Loan amount disbursed and not yet repaid ("**Outstanding Loan Amount**"). If the repayment instalment due in accordance with Article 5.1 (*Repayment schedule*) hereof exceeds the Outstanding Loan Amount, such repayment instalment will be reduced to the level of the Outstanding Loan Amount and the difference

will be allocated evenly to the repayment instalments still outstanding. In computing the Outstanding Loan Amount KfW reserves the right to consider disbursements from the Loan that are made within a period of 45 or fewer days before a Payment Date to determine the Outstanding Loan Amount only for the next ensuing Payment Date.

Prepayment. The following will apply to prepayments:

a) *Right to prepayment.* Subject to the following paragraphs 5.4 b) (*Notification*) to 5.4 e) (*Offsetting*) hereof, the Borrower has the right to repay Loan amounts before the scheduled due date if this prepayment is at least in the amount of a repayment instalment pursuant to Article 5.1 (*Repayment schedule*) hereof.

b) *Notification.* Prepayment of a Loan amount pursuant to Article 5.4 a) (*Right to prepayment*) hereof is subject to notification of the prepayment by the Borrower to KfW no later than on the fifteenth Banking Day prior to the intended prepayment date. Such notice is irrevocable; it must specify the date and the amount of the prepayment and obligates the Borrower to pay to KfW the stated amount on the stated date.

c) *Prepayment Fee.* If the Borrower prepays

- (i) a Fixed Interest Loan amount; or
- (ii) a Loan amount with a Variable Interest Rate before the end of the corresponding Interest Period,

the Borrower will immediately pay to KfW on demand such amount as is necessary to compensate for any losses, expenses or costs incurred by KfW as a result of such prepayment (the "**Prepayment Fee**"). KfW will determine the amount of the Prepayment Fee and communicate it to the Borrower. At the request of the Borrower KfW will provide the Borrower with an indication of the amount of the prepayment fee prior to the required irrevocable notification of the repayment pursuant to Article 5.4 b) (*Notification*) hereof.

- d) *Amounts due.* Together with the prepayment pursuant to Article 5.4 a) (*Right to prepayment*) hereof, the Borrower will pay the following amounts:
 - (i) any Prepayment Fee due as a result of the prepayment pursuant to Article 5.4 c) (*Prepayment Fee*) hereof; and
 - (ii) all interest accrued on the prepaid Loan amount and any other payments still outstanding under this Agreement that have accrued until the date of the prepayment.
 - e) *Offsetting.* Article 5.2 (*Undisbursed Loan amounts*) hereof will apply *mutatis mutandis* to the offsetting of prepayments.
- 5.5 *Revised repayment schedule.* In the event that Article 5.3 (*Repayments in case of incomplete disbursement*) or Article 5.4 (*Prepayment*) hereof applies, KfW will send the Borrower a revised repayment schedule that will become an integral part of this Agreement and will replace the repayment schedule valid until such time.

6. Calculations and payments in general

- 6.1 *Calculation.* The following will apply to the calculation of interest, Commitment Fee, default interest pursuant to Article 6.5 (*Default interest*) hereof, lump-sum compensation payments for overdue amounts pursuant to Article 6.6 (*Lump-sum compensation*) hereof, Non-Utilisation Fee and Prepayment Fee:
- a) If a variable interest rate is applied to the respective Loan amount, interest, default interest, lump-sum compensation payments for overdue amounts, Non-Utilisation Fee and Prepayment Fee will be calculated on the basis of a 360-day year and the actual number of days elapsed.
 - b) If a fixed interest rate is applied to the respective Loan amount, interest, default interest, lump-sum compensation payments for overdue amounts, Non-Utilisation Fee and Prepayment Fee will be calculated on the basis of a 360-day year and thirty-day months.
 - c) The Commitment Fee will be calculated on the basis of a 360-day year with thirty-day months.

- 6.2 *Due date.* If a payment to be made in connection with this Agreement falls due on a date that is not a Banking Day, the Borrower must make such payment on the following Banking Day. If the following Banking Day falls within the next calendar month, such payment must be made on the last Banking Day of the current calendar month.
- 6.3 *Account number, time of crediting.* The Borrower will be released from its payment obligations in connection with this Agreement if and to the extent that the respective amounts have been credited to KfW at its free disposal without any deductions in euros and no later than at 10.00 a.m. in Frankfurt am Main, Federal Republic of Germany, to KfW's account in Frankfurt am Main, Federal Republic of Germany, number IBAN DE 80 5002 0400 3108 4546 98 stating the due date as an additional reference ("Ref. YYYYMMDD").
- 6.4 *Counterclaims of the Borrower.* The Borrower is not entitled to assert any rights of retention or set-off or comparable rights against payment obligations under this Agreement unless such rights are recognised by declaratory judgment or are not being contested by KfW.
- 6.5 *Default interest.* If any repayment instalments or prepayments pursuant to Article 5.4 (*Prepayment*) hereof are not at the disposal of KfW when due, KfW may without prior reminder charge default interest for the period beginning on the due date and ending on the date on which such payments are credited to the account of KfW specified in Article 6.3 (*Account number, time of crediting*) hereof at the rate of 200 basis points above the Variable Interest Rate *per annum* determined by KfW for the relevant Interest Period pursuant to Article 4.1 (*Interest*) hereof. Such default interest must be paid immediately upon KfW's first demand. If interest accrued on the overdue amounts at a Fixed Interest Rate pursuant to Article 4.1 c) (*Change to Fixed interest rate at the request of the Borrower*) hereof until their due date, KfW may alternatively demand payment of default interest from the due date until the date of payment at a rate of 200 basis points above this Fixed Interest Rate *per annum*.
- 6.6 *Lump-sum compensation.* KfW may without prior reminder request lump-sum compensation on overdue amounts (with the exception of the

repayment instalments and prepayments mentioned in Article 6.5 (*Default interest*) hereof) from the due date until the date of payment at a rate of 200 basis points above the Variable Interest Rate *per annum* determined by KfW for the relevant Interest Period pursuant to Article 4.1 (*Interest*) hereof. If the Variable Interest Rate was changed to a Fixed Interest Rate pursuant to Article 4.1 c) (*Change to Fixed Interest Rate at the request of the Borrower*) hereof, KfW may alternatively demand payment of a lump sum compensation on the overdue amounts from the due date until the date of payment at a rate of 200 basis points above this Fixed Interest Rate *per annum*. The lump-sum compensation must be paid immediately upon KfW's first demand. The Borrower is free to demonstrate that no damages have occurred or that the damages were less than the lump-sum compensation.

- 6.7 *Offsetting*. KfW has the right to offset payments received against payments due under this Agreement or under other loan agreements concluded between KfW and the Borrower.
- 6.8 *Calculations made by KfW*. Absent manifest errors, the values calculated by KfW and calculations performed by KfW of amounts due in connection with this Loan Agreement constitute *prima-facie* evidence (*Anscheinsbeweis*).

7. Guarantee from the Federal Republic of Germany

KfW will have payment claims under this Agreement guaranteed by the Federal Republic of Germany prior to the first disbursement.

8. Illegality

If, in any applicable jurisdiction, it becomes unlawful for KfW to perform any of its obligations as contemplated by this Agreement or to fund or maintain the Loan, upon KfW notifying the Borrower

- a) the commitment of KfW will be immediately cancelled, and
- b) the Borrower shall repay the Loan in full on the last day of the Interest Period in which KfW has notified the Borrower or, if earlier,

the date specified by KfW in the notice delivered to the Borrower (being no earlier than the last day of any applicable grace period permitted by law).

For the avoidance of doubt, any cancellation hereunder will be subject to Article 2.6 (*Non-Utilisation Fee*) and any repayment of the Loan hereunder constitutes a prepayment and will be subject to the provisions set out in Article 5.4 c) (*Prepayment Fee*) and d) (*Amounts due*).

9. Costs and public charges

- 9.1 *No deductions or withholdings.* The Borrower will make all payments under this Agreement without any deductions for taxes, other public charges or other costs. In the event that the Borrower is obligated by law or for other reasons to make any such deductions or withholdings on payments, the payments made by the Borrower will increase by such amount as necessary for KfW to receive in full the amounts due under this Agreement after deduction of taxes and charges.
- 9.2 *Costs.* The Borrower will bear all costs and expenses accruing in connection with the disbursement and repayment of the Loan, in particular remittance and transfer costs (including conversion fees), as well as all costs and expenses accruing in connection with the maintenance or enforcement of this Agreement and of any other document related to this Agreement as well as of all rights resulting therefrom.
- 9.3 *Taxes and other charges.* The Borrower will bear all taxes and other public charges accruing outside the Federal Republic of Germany in connection with the conclusion and execution of this Agreement. If KfW advances such taxes or charges, the Borrower will transfer them without delay upon request to KfW's account specified in Article 6.3 (*Account number, time of crediting*) hereof or to such other account as specified by KfW.

10. Special obligations

10.1 *Programme implementation and special information.* The Borrower

- a) will prepare, and implement the Programme in conformity with sound financial and technical practices, in compliance with environmental and social standards and substantially in accordance with the Programme conception agreed upon between the Borrower and KfW;
- b) shall make available, promptly as needed and on terms and conditions acceptable to KfW the funds, facilities, services, as required, in addition to the proceeds of the Loan, for the carrying out of the Programme and for the operation and maintenance of the Programme facilities;
- c) will keep books and records or have books and records kept that unequivocally show the implementation and progress of the Programme;
- d) will enable KfW and its agents at any time to inspect such books and records and any and all documentation relevant to the implementation of the Programme;
- e) will furnish to KfW with all information related to the Programme and its further progress as KfW may request;
- f) will, immediately and on its own initiative, will of its own accord and without undue delay inform KfW of any and all circumstances that preclude or seriously jeopardise the achievement of the purpose of this Agreement.

10.2 *Details of Programme implementation.* The Borrower and KfW will determine the details pertaining to Article 10.1 (*Programme implementation and special information*) hereof by the Separate Agreement.

- 10.3 *Compliance Undertaking.* The Borrower undertakes to comply at all times with the obligations set out in Annex 3 (*Compliance Covenants*).
- 10.4 *Programme Monitoring.* The Borrower and KfW shall quarterly or at the request of either party consult and exchange views on the development of the Programme and progress achieved with regard to the implementation of the sector reforms. Prior to each such consultation and exchange of views, the Borrower shall submit to KfW for its review and comment a report on the progress achieved in the implementation of the Programme, in such detail as KfW may reasonably request.
- 10.5 *Pari passu ranking.* The Borrower warrants and represents that its obligations under this Agreement rank and will be serviced at least *pari passu* with all other unsecured and not subordinated External Debts, and the Borrower will ensure to the extent permitted by law that this ranking is also assured for all future unsecured and not subordinated External Debt. In this Agreement, "External Debt" means an obligation of the Borrower which is:
- (i) governed by a system of law other than the law of the Borrower; or
 - (ii) payable in a currency other than the currency of the Borrower's country; or
 - (iii) payable to a person incorporated, domiciled, resident or with its head office or principal place of business outside the Borrower's country.

11. Termination of the Agreement

- 11.1 *Reasons for termination.* KfW may exercise the rights set out in Article 11.2 (*Legal consequences of the occurrence of a cause for termination*) hereof (Legal consequences of the occurrence of a cause for termination) if a circumstance arises that constitutes good cause (*Wichtiger Grund*). These include, in particular, the following circumstances:

- a) the Borrower fails to perform payment obligations to KfW when due;

- b) obligations under this Agreement or under the Separate Agreement as well as any other legally binding additional agreements to this Agreement are violated;
- c) this Agreement or any part thereof no longer has a binding effect upon the Borrower or can no longer be enforced against the Borrower;
- d) any declaration, confirmation, information, representation or warranty considered by KfW to be essential for the granting and maintaining of the Loan proves to be false, misleading or incomplete;
- e) other extraordinary circumstances occur which delay or preclude the performance of obligations under this Agreement;
- f) the Borrower is unable to prove that the Loan amounts have been used for the stipulated purpose;
- g) the Borrower discontinues its payments to creditors, is insolvent or commences negotiations with one or more of the Borrower's creditors on a moratorium, waiver of debts outstanding, deferment of payments or discontinuation of the debt service.

11.2 *Legal consequences of the occurrence of a cause for termination.* If one of the events mentioned in Article 11.1 (*Reasons for termination*) hereof has occurred, KfW may immediately suspend disbursements under this Agreement. If this event is not resolved within a period of five days (in the case of Article 11.1 a) hereof) or in all other cases of Article 11.1 (*Reasons for termination*) hereof within a period determined by KfW which, however, shall be at least 30 days, KfW may cancel this Agreement in whole or in part with the consequence that its obligations under this Agreement cease and KfW may demand the immediate repayment of all or part of the Outstanding Loan Amount together with the interest accrued and the remaining amounts owed under this Agreement. Articles 6.5 (*Default interest*) and 6.6 (*Lump-sum compensation*) hereof apply to accelerated amounts *mutatis mutandis*.

11.3 *Compensation for damages.* If this Agreement is terminated in full or in part the Borrower will pay Non-Utilisation Fee in accordance with Article 2.6 (*Non-Utilisation Fee*) and/or Prepayment Fee in accordance with Article 5.4 c) (*Prepayment Fee*).

12. Representation and statements

- 12.1 *Representation of the Borrower.* 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 will represent the Borrower in the execution of this Agreement. The power of representation will not expire until its express revocation by the representative of the Borrower authorised at such time has been received by KfW.
- 12.2 *Addresses.* Declarations or notifications in connection with this Agreement must be in writing. They must be sent as originals or – with the exception of requests for disbursement - via facsimile. Any and all declarations or notifications made in connection with this Agreement must be sent to the following addresses:

For KfW:

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

For the Borrower:

Ministry of Finance
16, Gorgasali Street, Tbilisi
Fax: +995 32 22624 23

13. Publication and transfer of Programme related information

- 13.1 *Publication of Programme-related information by KfW.* 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 Programme and its financing and how it is financed during pre-contractual negotiations, while the Programme-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 the website of KfW Development Bank (<http://transparenz.kfw-entwicklungsbank.de/en>).

The publication of information (either by KfW or third parties in accordance with Article 13.3 (*Transfer of Programme-related information to third parties and publication by these*) below) about the Programme and how it is financed does not include any contractual documentation or any sensitive financial or business-related detailed information about the parties involved in the Programme 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 and
- e) KfW's internal rating of the parties' financial position.

13.2 *Transfer of Programme-related information to third parties.* KfW shares selected information about the Programme and how it is financed 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.
- e) European Commission and Agence Française de Développement (AFD)

13.3 *Transfer of Programme-related information to third parties and publication by these.* Furthermore, the Federal Republic of Germany has requested KfW to share selected information about the Programme and its financing; and how it is financed 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/ministerium/zahlen_fakten/transparenz-fuer-mehr-Wirksamkeit/Transparenzstrategie/index.html)

b) Germany Trade & Invest (GTAI) for the purposes of market information (<http://www.gtai.de/GTAI/Navigation/DE/welcome.html>)

c) OECD for the purpose of reporting financial flows in the framework of development cooperation (<http://www.oecd.org/>)

d) German Institute for Development Evaluation (DEval) for the purposes of evaluating the overall German development cooperation to ensure transparency and efficiency (<https://www.deval.org/en/>).

13.4 *Transfer of Programme-related information to other third parties (including publication by these).* KfW further reserves the right to transfer (including for the purposes of publication) information about the Programme 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 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 13.1 (*Publication of Programme-related information by KfW*), 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.

14. General provisions

- 14.1 *Banking Day.* Where reference is made in this Agreement to a "**Banking Day**" this means a day other than a Saturday or Sunday on which commercial banks in Frankfurt am Main, Federal Republic of Germany are open for general business.
- 14.2 *Place of performance.* The place of performance for all obligations under this Agreement is Frankfurt am Main, Federal Republic of Germany.
- 14.3 *Partial invalidity and gaps.* If any provision of this Agreement is or becomes invalid, or if there is a gap in any of the provisions of this Agreement, this will not affect the validity of the remaining provisions hereof. The parties to this Agreement will replace any invalid provision by a legally valid one which comes as close as possible to the spirit and purpose of the invalid provision. The parties will fill any gap in the provisions with a legally valid provision which comes as close as possible to the spirit and purpose of this Agreement.
- 14.4 *Written form.* Any addenda and amendments to this Agreement must be in writing. The parties may waive the written form requirement only in writing.
- 14.5 *Assignment.* The Borrower may not assign or transfer, pledge or mortgage any claims from this Loan Agreement.
- 14.6 *Applicable law.* This Agreement is governed by German law.
- 14.7 *Limitation period.* All claims of KfW under this Agreement expire after five years from the end of the year in which such claim has arisen and in which KfW has become aware of the circumstances constituting such claim or could have become aware of them without gross negligence.
- 14.8 *Waiver of immunity.* 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 21 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.

14.9 *Legal disputes.*

- a) *Arbitration.* All disputes arising out of or in connection with this Loan Agreement will be settled exclusively and finally by an arbitration tribunal. In this regard, the following will apply:
 - (i) 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.

- (ii) The arbitration proceeding will be conducted in Frankfurt am Main. The language of the proceeding will be English.

b) *Jurisdiction.* In addition KfW has the right to institute legal proceedings in the courts of general jurisdiction (*ordentliche Gerichte*) in Frankfurt am Main or in any other court of competent jurisdiction, unless the matter in dispute is already the subject of an arbitration proceeding between the parties. The Borrower irrevocably agrees to the jurisdiction of any such court.

14.10 *Entry into force and effect.* 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;
- 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

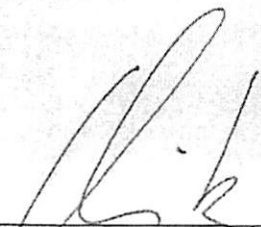
Tbilisi,

This 7 day of October 2019

This 7 day of October 2019

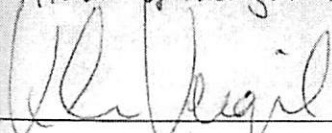
For KfW

For Georgia
represented by its Ministry of
Finance



Name: Stephan Opitz.

Title: Member of Management C. at KfW



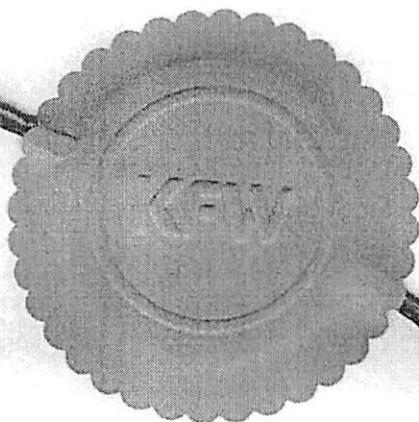
Title: Klaus Vogel

Name: Director KfW Regional
Office Tbilisi



Name: Ivane Matchavariani

Title: Minister of Finance of Georgia



Annex 1

Drawdown

Notice

[Letterhead of Borrower]

To: KfW
 Department: TMa3/TMa5
 Palmengartenstraße 5-9
 60325 Frankfurt am Main
 Federal Republic of Germany

Request for disbursement N°

Re.: Loan Agreement N° dated _____ for an amount of EUR

We refer to Article 2 of the above mentioned Loan Agreement and we hereby irrevocably and unconditionally request to disburse a Loan Amount of EUR (in words: Euro) to our following account, value [Date]:

For disbursements:

Final Beneficiary:	SWIFT Field 59 (MT 103) / Field 58 (MT202)
Final Beneficiary IBAN / Account Number:	
Account Holding Bank Name:	SWIFT Field 57
Account Holding Bank BIC:	
IBAN / Account Number of Account Holding Bank with intermediary Bank	
Intermediary Bank Name:	SWIFT Field 56 In addition (if the beneficiary's bank is not located in the country of the currency of payment the name and BIC of the bank's correspondent in that country must be provided)
Intermediary Bank BIC:	
Reference:	

We hereby confirm that all the Loan Disbursement Conditions as stated in Article 2 including in particular the condition set out in Art 2.3 h) of the above mentioned Loan Agreement have been satisfied.

.....
20@

.....
Name:
Position:

Annex 2

Specimen
Application
for Interest
Change

KfW
Postfach 11 11 41
60046 Frankfurt am Main
Federal Republic of Germany

Application for Interest Change

Brief Project description: _____
Date of the Loan Agreement: _____
Loan amount: _____

In accordance with Article 4.1 c) ii) (*Notification of KfW*) of the Loan Agreement we request you to change the interest rate for the Loan specified above from the Variable Interest Rate to a Fixed Interest Rate from the Date of Effectiveness _____, which is a Payment Date pursuant to Article 4.3 (*Payment Dates*) of the Loan Agreement.

(Place)

(Date)

(Signature of Borrower)

1. DEFINITIONS

Coercive Practice: is 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: is 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

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

3. REPRESENTATION AND WARRANTY

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 Programme on the Borrower's behalf has committed or is engaged in any Sanctionable Practice, money laundering or financing of terrorism.

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.

4. POSITIVE UNDERTAKINGS

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. The Borrower shall, in particular, 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 Programme that would constitute a breach of Sanctions.