AFD AGREEMENT N° CGE 1019 01 E

CREDIT FACILITY AGREEMENT

dated as of 7th October 2019

between

AGENCE FRANÇAISE DE DEVELOPPEMENT

The Lender

and

GEORGIA

The Borrower

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CREDIT FACILITY AGREEMENT

BETWEEN:

(A) **GEORGIA,**

represented by Mr. Ivane MATCHAVARIANI, in his capacity as the Minister of Finance of Georgia, who is duly authorized to sign this Agreement,

(**"Georgia"** or the **"Borrower"**);

AND

(B) **AGENCE FRANCAISE DE DEVELOPPEMENT**, a French public entity governed by French law, with registered office at 5, Rue Roland Barthes, 75598 Paris Cedex 12, France, registered with the Trade and Companies Register of Paris under number 775 665 599, represented by Ms. Cécile COUPRIE in her capacity as the Regional Director for Eastern Europe and Central Asia of the French Development Agency, duly authorised to sign this Agreement,

(**"AFD"** or the **"Lender"**);

(hereinafter jointly referred to as the **"Parties"** and each a **"Party"**);

WHEREAS:

(A) The Borrower intends to adopt laws, regulations and implement the 3rd Energy Package of European Union and promote energy efficiency policies in Georgia (the "Program"), as described further in Schedule 2 (*Program Description*).

(B) The Borrower has requested that the Lender makes a facility available for the purposes of participating in the financing of the Program.

(C) Pursuant to a resolution n° C20190441 of the Foreign States Committee (*Comité des Etats Etrangers*) dated 10 July 2019, the Lender has agreed to make the Facility available to the Borrower pursuant to the terms and conditions of this Agreement.

THEREFORE THE PARTIES HAVE AGREED AS FOLLOWS:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

Capitalised words and expressions used in this Agreement (including those appearing in the recitals above and in the Schedules) shall have the meaning given to them in Schedule 1A (Definitions), except as otherwise provided in this Agreement.

1.2 Interpretation

Words and expressions used in this Agreement shall be construed pursuant to the provisions of Schedule 1B (*Interpretation*), unless the contrary intention appears.

2. FACILITY, PURPOSE AND CONDITIONS OF UTILISATION

2.1 Facility

Subject to the terms of this Agreement, the Lender makes available to the Borrower a Facility in a maximum aggregate amount of sixty million Euros (EUR 60,000,000).

2.2 Purpose

The purpose of the Facility is to finance the Borrower budget intended to implement the Program as described in Schedule 2 (*Program Description*) and in accordance with the Indicative Policy Matrix described in Schedule 3 (Indicative Policy Matrix).

2.3 Absence of Liability

The Lender shall not be held responsible for the use of any amount borrowed which is not in accordance with the provisions of this Agreement.

2.4 Conditions precedent

(a) No later than the Signing Date, the Borrower shall provide to the Lender all of the documents set out in Part I of Schedule 4 (*Conditions Precedent*).

(b) A Drawdown Request may not be delivered to the Lender unless:

(i) the Lender has received all of documents listed in Part II of Schedule 4 (*Conditions Precedent*) and has notified the Borrower that such documents are satisfactory in form and substance;

(ii) on the date of the Drawdown Request and on the proposed Drawdown Date for the Drawdown, no Payment Systems Disruption Event has occurred and the conditions set out in this Agreement have been fulfilled, including:

(1) no Event of Default is continuing or would result from the proposed Drawdown;

(2) the Drawdown Request has been made in accordance with the terms of Clause 3.2 (*Drawdown request*);

(3) Each representation given by the Borrower in relation to Clause 10 (*Representations and warranties*) is true.

3. DRAWDOWN OF FUNDS

3.1 Drawdown amounts

The Facility will be made available to the Borrower during the Availability Period. in one (1) single Drawdown.

3.2 Drawdown request

Provided that the conditions set out in Clause 2.4(b) *(Conditions precedent)* are satisfied, the Borrower may draw on the Facility by delivery to the Lender of a duly completed Drawdown Request. The Drawdown Request shall be delivered by the Borrower to the AFD head office Director Eastern Europe, Middle East, Asia Department at the address specified in Clause 16.1 (*In writing and addresses*).

The Drawdown Request is irrevocable and will be regarded as having been duly completed if:

(a) the Drawdown Request is substantially in the form set out in Schedule 5A (*Form of Drawdown Request*);

(b) the Drawdown Request is received by the Lender at the latest fifteen (15) Business Days prior to the Deadline for Drawdown;

(c) the proposed Drawdown Date is a Business Day falling within the Availability Period;

(d) the amount of the Drawdown complies with Clause 3.1 (*Drawdown amounts*); and

(e) all of the documents set out in Part II of Schedule 4 (*Conditions Precedent*) for the purposes of the Drawdown are attached to the Drawdown Request, comply with the abovementioned Schedule and with the requirements of Clause 3.4 (*Payment mechanics*), and are in form and substance satisfactory to the Lender.

3.3 Payment completion

Subject to Clause 14.7 (*Payment Systems Disruption*), if each of the conditions set out in Clause 2.4(b) (*Conditions precedent)* of this Agreement has been met, the Lender shall make the requested Drawdown available to the Borrower not later than the Drawdown Date.

The Lender shall provide the Borrower with a letter of Drawdown confirmation substantially in the form set out in Schedule 5B (*Form of confirmation of drawdown and rate*).

3.4 Payment mechanics

The proceeds of the Drawdown shall be paid to the Borrower's Account or any other account which details will be duly notified by the Borrower to the Lender.

4. INTEREST

4.1 Interest Rate

4.1.1 Selection of Interest Rate

The Borrower may select a fixed Interest Rate or a floating Interest Rate for the Drawdown, which shall apply to the amount set out in the relevant Drawdown Request, by stating the selected Interest Rate, i.e., fixed or floating, in the Drawdown Request delivered to the Lender substantially in the form set out in Schedule 5A (*Form of Drawdown Request*), subject to the following conditions:

(i) Floating Interest Rate

The Borrower may select a floating Interest Rate, which shall be the percentage rate per annum, being the aggregate of:

- six-month EURIBOR; and
- the Margin.

Notwithstanding the above, if the first Interest Period is less than one hundred and thirty-five (135) days, the applicable EURIBOR shall be:

- one-month EURIBOR if the first Interest Period is less than sixty (60) days; or
- three-month EURIBOR if the first Interest Period is between sixty (60) days and one hundred and thirty-five (135) days.

(ii) Fixed Interest Rate

The Borrower may select a fixed Interest Rate, which shall be the Fixed Reference Rate increased or decreased by any fluctuation of the Index Rate from the Signing Date until the relevant Rate Setting Date.

The Borrower may specify in the Drawdown Request a maximum amount for fixed Interest Rate. If the fixed Interest Rate as calculated on the Rate Setting Date exceeds the maximum amount for fixed Interest Rate specified in the relevant Drawdown Request, such Drawdown Request shall be cancelled and the Drawdown amount specified in the cancelled Drawdown Request shall be credited to the Available Credit.

4.1.2 Minimum Interest Rate

The Interest Rate determined in accordance with Clause 4.1.1 (*Selection of Interest Rate*) shall not be less than zero point twenty-five per cent (0.25%) per annum, notwithstanding any decline in the Interest Rate.

4.1.3 Conversion from a floating Interest Rate to a fixed Interest Rate

The floating Interest Rate applicable to the Drawdown shall be converted to a fixed Interest Rate in accordance with the conditions set out below:

(i) Rate Conversion upon the Borrower's request

The Borrower may request at any time that the Lender converts the floating Interest Rate applicable to the Drawdown to a fixed Interest Rate.

To this effect, the Borrower shall send to the Lender a Rate Conversion Request substantially in the form set out in Schedule 5C (Form of Rate Conversion Request). The Borrower may specify in the Rate Conversion Letter a maximum amount for fixed Interest Rate. If the fixed Interest Rate as calculated on the Rate Setting Date exceeds the maximum amount for fixed Interest Rate specified by the Borrower in the Rate Conversion Request, such Rate Conversion Request will be automatically cancelled.

The fixed Interest Rate will be effective two (2) Business Days after the Rate Setting

Date.

(ii) Rate Conversion mechanic

The fixed Interest Rate applicable to the relevant Drawdown shall be determined in accordance with clause 4.1.1 (ii) (*Fixed Interest Rate*) above on the Rate Setting Date referred to in subparagraph (i) above.

The Lender shall send to the Borrower a letter of confirmation of Rate Conversion substantially in the form set out in Schedule 5D (*Form of Rate Conversion Confirmation*).

A Rate Conversion is final and at no costs.

4.2 Calculation and payment of interest

The Borrower shall pay accrued interest on the Drawdown on each Payment Date.

The amount of interest payable by the Borrower on a relevant Payment Date and for a relevant Interest Period shall be equal to the sum of any interest owed by the Borrower on the amount of the Outstanding Principal in respect of the Drawdown. Interest owed by the Borrower in respect of the Drawdown shall be calculated on the basis of:

(i) the Outstanding Principal owed by the Borrower in respect of the relevant Drawdown as at the immediately preceding Payment Date or, in the case of the first Interest Period, on the corresponding Drawdown Date;

(ii) the exact number of days which have accrued during the relevant Interest Period on the basis of a three hundred and sixty (360) day year; and

(iii) the applicable Interest Rate determined in accordance with the provisions of Clause 4.1 (*Interest Rate*).

4.3 Late payment and default interest

(a) Late payment and default interest on all amounts due and unpaid (except for interest)

If the Borrower fails to pay any amount payable by it to the Lender under this Agreement (whether a payment of principal, a Prepayment Indemnity, any fees or incidental expenses of any kind except for any unpaid overdue interest) on its due date, interest shall accrue on the overdue amount, to the extent permitted by law, from the due date up to the date of actual payment (both before and after an arbitral award, if any) at the Interest Rate applicable to the current Interest Period (default interest) increased by three point five per cent (3.5%) (late-payment interest). No formal prior notice from the Lender shall be necessary.

(b) Late payment and default interest on unpaid overdue interest

Interest which has not been paid on its due date shall bear interest, to the extent permitted by law, at the Interest Rate applicable to the ongoing Interest Period (default interest), increased by three point five per cent (3.5%) (late-payment interest), to the extent that such Interest has been due and payable for at least one (1) year. No formal prior notice from the Lender shall be necessary.

The Borrower shall pay any outstanding interest under this Clause 4.3 (*Late payment and default interest*) immediately on demand by the Lender or on each Payment Date following the due date for the outstanding payment.

(c) Receipt of any payment of late payment interest or default interest by the Lender shall neither imply the grant of any payment extension to the Borrower, nor operate as a waiver of any of the Lender's rights hereunder.

4.4 Communication of Interest Rates

The Lender shall promptly notify the Borrower of the determination of each Interest Rate in accordance with this Agreement.

4.5 Effective Global Rate (*Taux Effectif Global*)

In order to comply with Articles L. 313-1, L.313-2 and R.313-1 *et seq.* of the French Consumer Code and L. 313-4 of the French Monetary and Financial Code, the Lender informs the Borrower, and the Borrower accepts, that the effective global rate (*taux effectif global*) applicable to the Facility may be valued at an annual rate of zero point sixty nine per cent (0.69%) on the basis of a three hundred and sixty-five (365) day year, and an Interest Period of six (6) months, subject to the following:

(a) the above rate is given for information purposes only;

(b) the above rate is calculated on the basis that:

(i) drawdown of the Facility is in full on the Signing Date;

(ii) no Drawdown made available to the Borrower will bear interest on the floating rate; and

(iii) the fixed rate for the duration of the facility should be equal to zero point sixty five per cent (0.65%) per annum;

(c) the above rate takes into account the fees and costs payable by the Borrower under this Agreement, assuming that such fees and costs will remain fixed and will apply until the expiry of the term of this Agreement.

5. MARKET DISRUPTION

(a) If a Market Disruption Event affects the interbank market in the Eurozone and it is impossible to determine the applicable EURIBOR for the relevant Interest Period, the Lender shall inform the Borrower without delay.

(b) Upon the occurrence of the event described in paragraph (a) above, the applicable Interest Rate for the relevant Interest Period will be the sum of:

(i) the Margin; and

(ii) the percentage rate per annum corresponding to the cost to the Lender of funding the Drawdown from whatever source it may reasonably select. Such rate shall be notified to the Borrower as soon as possible and, in any case, prior to the Payment Date for interest owed under the relevant Interest Period.

6. FEES

6.1 Commitment fees

From February 1st, 2020 onwards, the Borrower shall pay to the Lender a commitment fee of zero point five per cent (0.5%) per annum.

The commitment fee shall be computed at the rate specified above on the amount of the Available Credit pro-rated for the actual number of days elapsed increased by the amount of the Drawdown to be made available by the Lender in accordance with any pending Drawdown Request.

The first commitment fee shall be calculated for the period from (i) February 1st, 2020 (included) up to (ii) the immediately following Payment Date (included). Subsequent commitment fees shall be calculated for periods commencing on the day immediately following a Payment Date (included) and ending on the next Payment Date (included).

The accrued commitment fee shall be payable (i) on each Payment Date within the Availability Period; (ii) on the Payment Date following the last day of the Drawdown Period; and (iii) in the event the Available Credit is cancelled in full, on the Payment Date following the effective date of such cancellation.

6.2 Appraisal Fee

Prior to the Drawdown and no later than ninety (90) calendar days after the Signing Date, the Borrower shall pay to the Lender an appraisal fee of zero point five per cent (0.5%) calculated on the maximum amount of the Facility.

7. REPAYMENT

Following expiry of the Grace Period, the Borrower shall repay the Lender the principal amount of the Facility in twenty-eight (28) equal semi-annual instalments, due and payable on each Payment Date.

The first instalment shall be due and payable on February 16th, 2026 and the last instalment shall be due and payable on August 16th, 2039.

At the end of the Drawdown Period, the Lender shall deliver to the Borrower an amortisation schedule in respect of the Facility taking into account, if applicable, any potential cancellation of the Facility pursuant to Clauses 8.3 (Cancellation by the Borrower) and/or 8.4 (Cancellation by the Lender).

8. PREPAYMENT AND CANCELLATION

8.1 Voluntary prepayment

The Borrower shall not be entitled to prepay the whole or any part of the Facility prior to the expiration date of a ten (10) year period starting on the Signing Date.

As from the date referred to in the previous paragraph, the Borrower may prepay the whole or any part of the Facility, subject to the following conditions:

(a) the Borrower shall notify the Lender of its intention to prepay by not less than thirty (30) Business Days' written and irrevocable notice prior to the contemplated prepayment date;

(b) the amount to be prepaid shall be equal to one or several instalment(s) in principal;

(c) the contemplated prepayment date shall be a Payment Date;

(d) all prepayments shall be made together with the payment of accrued interest, any fees, indemnities and related costs in connection with the prepaid amount as provided under this Agreement;

(e) there is no outstanding unpaid amount; and

(f) in case of a part prepayment, the Borrower shall have given evidence, satisfactory to the Lender, that it has sufficient committed funding available for the purpose of financing the Program.

On the Payment Date on which the prepayment is made, the Borrower shall pay the full amount of the Prepayment Indemnities due and payable pursuant to Clause 9.3 (*Prepayment Indemnity*).

8.2 Mandatory prepayment

The Borrower shall immediately prepay the whole or part of the Facility upon receipt of a notice from the Lender informing the Borrower of any of the following events:

(a) Illegality: it becomes unlawful for the Lender pursuant to its applicable law to perform any of its obligations as contemplated by this Agreement or to fund or maintain the Facility;

(b) Additional Costs: the amount of any Additional Costs referred to in Clause 9.5 (*Additional Costs*) is significant and the Borrower has refused to pay such Additional Costs;

(c) Default: the Lender declares an Event of Default in accordance with Clause 13 (*Events of Defaults*).

In the case of each of the events specified in paragraphs (a), (b) and (c) above, the Lender reserves the right, after having notified the Borrower in writing, to exercise its rights as a creditor in the manner specified in paragraph (b) of Clause 13.2 (*Acceleration*).

8.3 Cancellation by the Borrower

Prior to the Deadline for Drawdown, the Borrower may cancel the whole or any part of the Available Credit by giving the Lender a three (3) Business Days' prior notice.

Upon receipt of such notice of cancellation, the Lender shall cancel the amount notified by the Borrower.

8.4 Cancellation by the Lender

The Available Credit shall be immediately cancelled upon delivery of a notice to the Borrower which shall be immediately effective, if:

(a) the Available Credit is not equal to zero on the Deadline for Drawdown;

(b) the Drawdown has not occurred on the expiry date of a fourteen (14) month period from approval of the Facility by the competent organs of the Lender, as mentioned in paragraph (C) of the Recitals;

(c) an Event of Default has occurred and is continuing; or

(d) an event referred to in Clause 8.2 (*Mandatory prepayment*) has occurred;

except where, in the case of paragraphs (a) and (b) of this Clause 8.4 (*Cancellation by the Lender*), the Lender has proposed to postpone the Deadline for Drawdown or the deadline for the Drawdown on the basis of new financial conditions which will apply to the Drawdown under the Available Credit and the Borrower has agreed on the proposition.

8.5 Restrictions

(a) Any notice of prepayment or cancellation given by a Party pursuant to this Clause 8 (*Prepayment and Cancellation*) shall be irrevocable, and, unless otherwise provided in this Agreement, any such notice shall specify the date or dates on which the relevant prepayment or cancellation is to be made and the amount of that prepayment or cancellation.

(b) The Borrower shall not prepay or cancel all or any part of the Facility except at the times and in the manner expressly provided for in this Agreement.

(c) Any prepayment under this Agreement shall be made together with payment of (i) accrued interest on the prepaid amount, (ii) outstanding fees, and (iii) the Prepayment Indemnity referred to in Clause 9.3 (*Prepayment Indemnity*) below.

(d) Any prepayment amount will be applied against the remaining instalments in inverse order of maturity.

(e) The Borrower may not re-borrow the whole or any part of the Facility which has been prepaid or cancelled.

9. ADDITIONAL PAYMENT OBLIGATIONS

9.1 Costs and expenses

9.1.1 If any significant amendment to this Agreement is required, the Parties shall enter into a consultation period of ten (10) Business Days in order to evaluate the amount of the relevant costs (including legal fees), reasonably incurred in responding to, evaluating, negotiating or complying with that requirement and which might be borne by the Borrower.

9.1.2 Parties shall reimburse to each other costs and expenses in connection with the enforcement of a final arbitral award rendered by the arbitration provided in Article 17 of this Agreement.

9.2 Cancellation Indemnity

If the Facility is cancelled in full or in part in accordance with the terms of Clauses 8.3 (*Cancellation by the Borrower*) and/or 8.4 (*Cancellation by the Lender*) paragraphs (a), (b) and (c), the Borrower shall pay a cancellation indemnity computed at two point five per cent (2.5%) on the cancelled amount of the Facility.

Each cancellation indemnity shall be due and payable on the Payment Date immediately following a cancellation of all or part of the Facility.

9.3 Prepayment Indemnity

On account of any losses suffered by the Lender as a result of the prepayment of the whole or any part of the Facility in accordance with Clauses 8.1 (*Voluntary prepayment*) or 8.2 (*Mandatory prepayment*), the Borrower shall pay to the Lender an indemnity equal to the aggregate amount of:

- the Prepayment Compensatory Indemnity; and

- any costs arising out of the break of any interest hedging swap transactions put in place by the Lender in connection with the amount prepaid.

9.4 Taxes and duties

9.4.1 Registration costs

The Borrower shall pay directly, or, if applicable, reimburse the Lender in case of an advance made by the Lender, the costs of all stamp duty, registration and other similar taxes payable in respect of the Agreement and any potential amendment thereto.

9.4.2 Withholding Tax

The Borrower undertakes that all payments made to the Lender under this Agreement shall be free of any Withholding Tax.

If a Withholding Tax is required by law, the Borrower undertakes to gross-up the amount of any such payment to such amount which leaves the Lender with an amount equal to the payment which would have been due if no payment of Withholding Tax had been required.

The Borrower shall reimburse to the Lender all expenses and/or Taxes for the Borrower's account which have been paid by the Lender (if applicable), with the exception of any Taxes due in France.

9.5 Additional Costs

9.5.1 In this Clause, "**Additional Costs**" means:

(i) any cost arising after the Signing Date out of one of the event referred to in paragraph 9.5.2 below and not taken into account by the Lender to compute the financial conditions of the Facility; or

(ii) any reduction of any amount due and payable under this Agreement;

which is incurred by the Lender as a result of (i) making the Facility available to the Borrower or (ii) entering into or performing its obligations under the Agreement.

9.5.2 If the Lender incurs any Additional Cost as a result of: (i) the coming into force of any new law or regulation, or any amendment to, or any change in the interpretation or application of any existing law or regulation; or (ii) compliance with any law or regulation made after the Signing Date and intends to request its payment by the Borrower, the Lender shall notify such request to the Borrower (the "Lender's Notice").

9.5.3 Following the Lender's Notice, the Borrower and the Lender shall enter into a consultation period of ten (10) Business Days in order to evaluate the amount of the relevant Additional Costs and to find the decision on payment of such costs suitable for both Parties. If so requested by the Borrower, the Lender shall provide the Borrower with explanatory documents related to the Additional Costs object of the Lender's Notice. If the Parties fail to reach an agreement following the consultation period, the Borrower shall notify the Lender its refusal to pay the Additional Costs within twenty (20) Business Days following the reception of the Lender's Notice.

9.6 Currency indemnity

If any sum due by the Borrower under this Agreement, or any order, judgment or award given or made in relation to such a sum, has to be converted from the currency in which that sum is payable into another currency, for the purpose of:

(i) making or filing a claim or proof against the Borrower; or

(ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings, the Borrower shall indemnify the Lender against and, within three (3) Business Days of the Lender's request and as permitted by law, pay to the Lender, the amount of any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between: (A) the exchange rate used to convert the relevant sum from the first currency to the second currency; and (B) the exchange rate or rate(s) available to the Lender at the time of its receipt of that sum. This obligation to indemnify the Lender is independent of any other obligation of the Borrower under this Agreement.

The Borrower waives any right it may have in any jurisdiction to pay any amount due under this Agreement in a currency or currency unit other than that in which it is expressed to be payable.

9.7 Due dates

Any indemnity or reimbursement payable by the Borrower to the Lender under this Clause 9 (*Additional Payment Obligations*) is due and payable on the Payment Date immediately following the circumstances which have given rise to the relevant indemnity or reimbursement.

Notwithstanding the above, any indemnity to be paid in connection with a prepayment pursuant to Clause 9.3 (*Prepayment Indemnity*) is due and payable on the date of the relevant prepayment.

10. REPRESENTATIONS AND WARRANTIES

All the representations and warranties set out in this Clause 10 (*Representations and warranties*) are made by the Borrower for the benefit of the Lender on the Effective Date. All the representations and warranties in this Clause 10 (*Representations and warranties*) are also deemed to be made by the Borrower on the date on which all of the conditions precedent listed in Part II of Schedule 4 (*Conditions Precedent*) are satisfied, on the date of the Drawdown Request, on the Drawdown Date and on each Payment Date, except that the repeating representations contained in Clause 10.9 (*No Misleading Information*) are deemed to be made by the Borrower in relation to the information provided by the Borrower since the date on which the representation was last made.

10.1 Power and authority

The Borrower has the power to enter into, perform and deliver this Agreement and to perform all contemplated obligations. The Borrower has taken all necessary action to authorise its entry into, performance and delivery of this Agreement.

10.2 Validity and admissibility in evidence

All Authorisations required:

(a) to enable the Borrower to lawfully enter into, and exercise its rights and comply with its obligations under this Agreement; and

(b) to make this Agreement admissible in evidence in the courts of the jurisdiction of the Borrower or in arbitration proceedings as defined under Clause 17 (*Governing Law, Enforcement and Choice of Domicile*),

have been obtained and are in full force and effect, and no circumstances exist which could result in the revocation, non-renewal or modification, in whole or in part, of any such Authorisations.

10.3 Binding obligations

The obligations expressed to be assumed by the Borrower under this Agreement comply with all laws and regulations applicable to the Borrower in its jurisdiction and are legal, valid, binding and enforceable obligations which are effective in accordance with their written terms.

10.4 No filing or stamp taxes

Under the laws of the jurisdiction of incorporation of the Borrower, it is not necessary that this Agreement be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar taxes or fees be paid on or in relation to this Agreement or the transactions contemplated therein.

10.5 Transfer of funds

All amounts due by the Borrower to the Lender under this Agreement whether as principal or interest, late payment interest, Prepayment Indemnity, incidental costs and expenses or any other sum are freely convertible and transferable.

This representation shall remain in full force and effect until full repayment of all sums due to the Lender. In the event that the repayment dates of the Facility are extended by the Lender, no further confirmation of this representation shall be necessary.

The Borrower shall obtain Euros necessary for compliance with this representation in due course.

10.6 No conflict with other obligations

The entry into and performance by the Borrower of, and the transactions contemplated by, this Agreement do not conflict with any domestic or foreign law or regulation applicable to it, its constitutional documents (or any similar documents) or any agreement or instrument binding upon the Borrower or affecting any of its assets.

10.7 Governing Law and Enforcement

(a) The choice of French law as the governing law of this Agreement will be recognised and enforced by the courts and arbitration tribunals in the jurisdiction of the Borrower.

(b) Any judgment obtained in relation to this Agreement in a French court or any award by an arbitration tribunal will be recognised and enforced in the jurisdiction of the Borrower.

10.8 No Default

No Event of Default is continuing or is reasonably likely to occur.

No breach of the Borrower is continuing in relation to any other agreement binding upon it, or affecting any of its assets, which has, or is reasonably likely to have, a Material Adverse Effect.

10.9 No Misleading Information

All information and documents supplied by the Borrower to the Lender were true, accurate and up-to-date as at the date they were provided or, if appropriate, as at the date at which they are stated to be given and have not been varied, revoked, cancelled or renewed on revised terms, and are not misleading in any material respect as a result of an omission, the occurrence of new circumstances or the disclosure or non-disclosure of any information.

10.10 Pari Passu Ranking

The Borrower's payment obligations under this Agreement rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors.

10.11 Origin of funds, Acts of Corruption, Fraud and Anti-Competitive Practices

The Borrower represents and warrants that:

(i) the funds used for the implementation of the Program, other than those provided by the State, are not of Illicit Origin;

(ii) the Program has not given rise to any Act of Corruption, Fraud or Anti-Competitive Practice.

10.12 No Material Adverse Effect

The Borrower represents and warrants that no event or circumstance which is likely to have a Material Adverse Effect has occurred or is likely to occur.

11. UNDERTAKINGS

The undertakings in this Clause 11 (*Undertakings*) take effect on the Effective Date and remain in full force and effect for as long as any amount is outstanding under this Agreement.

11.1 Compliance with Laws, Regulations and Obligations

The Borrower shall comply

(a) in all respects with all laws and regulations to which it and/or the Program is subject, particularly in relation to all applicable procurement, environmental protection. safety and labour laws; and

(b) with all of its obligations under this Agreement.

11.2 Authorisations

The Borrower shall promptly obtain, comply with and do all that is necessary to maintain in full force and effect any Authorisation required under any applicable law or regulation to enable it to perform its obligations under this Agreement and to ensure their legality, validity, enforceability and admissibility in evidence of this Agreement.

11.3 Implementation and Preservation of the Program

The Borrower shall:

(i) implement the Program in accordance with the generally accepted safety principles and in accordance with technical standards in force; and

(ii) maintain the Program assets in accordance with all applicable laws and regulations and in good operating and maintenance conditions, and use such assets in compliance with their purpose and all applicable laws and regulations.

11.4 Environmental and Social Responsibility

11.4.1 Implementation of environmental and social measures

In order to promote sustainable development, the Parties agree that it is necessary to promote compliance with internationally recognised environmental and labour standards, including fundamental conventions of the International Labour Organization ("**ILO**") and the international environmental laws and regulations applicable in the Borrower's jurisdiction.

The environmental and social documents will be produced as described in the ESCP attached as Schedule (E&S Commitment Plan).

The Environmental and Social System Assessment (ESSA) of the Program will be sent for review to AFD

AFD will finance a study on the protection of vulnerable Georgian households from rising electricity prices.

The modalities of exploitation of the conclusions of the environmental and social system assessment and the study on the protection of vulnerable Georgian households from rising electricity prices will be discussed with the authorities during the steering committee of the reform.

11.4.2 Environmental and social grievance management

(a) The Borrower (i) confirms that it has received a copy of the ES Grievance Management Procedures and has acknowledged its terms, in particular with respect to actions that may be taken by the Lender in the event that a third party lodges a grievance, and (ii) acknowledges that the ES Grievance Management Procedures have, as between the Borrower and the Lender, the same contractually binding effect as this Agreement.

(b) The Borrower expressly authorises the Lender to disclose to the Experts (as defined in the ES Grievance Management Procedures) and to parties involved in the compliance audit and/or dispute resolution procedure, the Program documents concerning environmental and social matters necessary for processing the environmental and social Grievance (as defined in the ES Grievance Management Procedures), including, without limitation, those listed in Schedule 7 (*Non-exhaustive list of environmental and social documents which the Borrower permits to be disclosed in connection with ES Grievance management procedures*).

11.5 Pari Passu Ranking

The Borrower undertakes (i) to ensure that its payment obligations under this Agreement rank at all times at least *pari passu* with its other present and future unsecured and unsubordinated payment obligations; (ii) not to grant prior ranking or guarantees to any other lenders except if the same ranking or guarantees are granted by the Borrower in favour of the Lender, if so requested by the Lender.

11.6 Monitoring Missions and Inspections

11.6.1 The Borrower hereby authorizes the Lender and its representatives to carry out monitoring missions, the purpose of which will be to assess the implementation of the Program on technical, financial and institutional aspects.

The Borrower shall co-operate and provide all reasonable assistance and information to the Lender and its representatives when carrying out such monitoring, the timing and format of which shall be determined by the Lender following consultation with the Borrower.

11.6.2 If a significant problem is identified regarding the implementation of the Program, and the Lender intends to carry-on an additional inspection out of scope of its standard monitoring missions, the Lender shall notify such request to the Borrower (the "Lender's Inspection Notice").

11.6.3 Following the Lender's Inspection Notice, the Lender shall determine the timing and format of such inspection following consultation with the Borrower. Such consultation period shall not exceed twenty (20) Business Days. The Borrower shall co-operate and provide all reasonable assistance and information to the Lender and its representatives when carrying out such inspection, and shall reimburse to the Lender for all costs reasonably incurred by the Lender in respect of a maximum of one inspection per year.

11.6.4 The Borrower shall retain and make for monitoring missions and inspections by the Lender, all documents relating to the expenses of the Program for a period of ten (10) years from the date of the last Drawdown under the Facility.

11.7 <u>Program Evaluation</u>

The Borrower acknowledges that the Lender may carry out, or procure that a third party carries out on its behalf, an evaluation of the Program. This evaluation will be used to produce a performance report including information on the Program, such as: total amount and duration of the Facility, objectives of the Program, expected and actual performance of the Program, assessment of its relevance, efficiency, impact and viability/sustainability. The Borrower agrees on the publication of this performance report, in particular, on the Lender's Website.

11.8 <u>Program Implementation</u>

The Borrower shall:

(i) ensure that any person, group or entity participating in the implementation of the Program is not listed on any Financial Sanctions List (including in particular the fight against terrorist financing); and

(ii) not finance any supplies or sectors which are subject to an Embargo by the United Nations, the European Union or France.

11.9 <u>Origin of funds, no Acts of Corruption, Fraud or Anti-Competitive Practices</u>

The Borrower undertakes:

(i) to ensure that the funds, other than those of State origin, used for the implementation of the Program will not be of an Illicit Origin;

(ii) to ensure that the Program shall not give rise to any Act of Corruption, Fraud or Anti-Competitive Practice;

(iii) as soon as it becomes aware of, or suspects, any Act of Corruption. Fraud or Anti-Competitive Practice, to inform the Lender without any delay;

(iv) in the event referred to in paragraph (iii) above, or at the Lender's request if the Lender suspects that the acts or practices referred to in paragraph (iii) have occurred, take all necessary actions to remedy the situation in a manner satisfactory to the Lender and within the time period determined by the Lender; and

(v) to notify the Lender without delay if it has knowledge of any information which leads it to suspect any Illicit Origin of any funds used for the implementation of the Program.

12. INFORMATION UNDERTAKINGS

The undertakings in this Clause 12 (*Information Undertakings*) take effect on the Effective Date and remain in full force and effect for as long as any amount is outstanding under this Agreement.

12.1 Financial Information

The Borrower shall supply to the Lender any information that the Lender may reasonably require in relation to the Borrower's foreign and domestic debt as well as the status of any guaranteed loans.

12.2 Program Implementation

The Borrower shall supply to the Lender, promptly upon the Lender's request, any information or supporting document regarding the Program implementation.

12.3 Additional Information

The Borrower shall supply to the Lender:

(a) promptly upon becoming aware of them, details of any event or circumstance which is or may be an Event of Default or which has or may have a Material Adverse Effect, the nature of such an event and all the actions taken or to be taken to remedy it (if any);

(b) promptly, details of any decision or event which might affect the organisation, completion or operation of the Program.

13. EVENTS OF DEFAULTS

13.1 Events of Default

Each of the events or circumstances set out in this Clause 13.1 (*Events of Default*) is an Event of Default.

(a) **Payment Default**

The Borrower does not pay on the due date any amount payable by it under this Agreement in the manner required under this Agreement. However, without prejudice to Clause 4.3 (*Late payment and default* interest), no Event of Default will occur under this paragraph (a) if such payment is made in full by the Borrower within five (5) Business Days of the due date.

(b) **Undertakings and Obligations**

The Borrower does not comply with any term of the Agreement, including, without limitation, any of the undertakings it has given pursuant to Clause 11 (*Undertakings*) and Clause 12 (*Information Undertakings*).

Save for the undertakings given pursuant to Clause 11.4 (*Environmental and Social Liability*), Clauses 11.8 (*Program Implementation*) and 11.9 (*Origin of funds, no Acts* *of Corruption, Fraud or Anti-Competitive Practices*) in respect of which no grace period is permitted, no Event of Default will occur under this paragraph (b) if the non-compliance is capable of remedy and is remedied within five (5) Business Days of the earlier of (A) the date of the Lender's notice of failure to the Borrower; and (B) the Borrower becoming aware of the breach, or within the time limit determined by the Lender in the case referred to in subparagraph (iv) of Clause 11.9 (*Origin of funds, no Acts of Corruption, Fraud or Anti-Competitive Practices*).

(c) **Misrepresentation**

A representation or warranty made by the Borrower in the Agreement. including under Clause 10 (*Representations and warranties*), or in any document delivered by or on behalf of the Borrower under or in relation to the Agreement, is incorrect or misleading when made or deemed to be made.

(d) **Cross Default**

(i) Subject to paragraph (ii), any Financial Indebtedness of the Borrower is not paid on its due date or, if applicable, within any grace period granted pursuant to the relevant documentation.

(ii) A creditor has cancelled or suspended its commitment towards the Borrower pursuant to any Financial Indebtedness, or has declared the Financial Indebtedness due and payable prior to its specified maturity, or requested prepayment in full of the Financial Indebtedness, in each case, as a result of an event of default or any provision having a similar effect (howsoever described) pursuant to the relevant documentation.

(iii) No Event of Default will occur under this clause 13.1 (d) if the relevant amount of Financial Indebtedness or the commitment for Financial Indebtedness falling within paragraphs (i) and (ii) above is less than forty millions Euros (EUR 40,000,000) or its equivalent in any other currency (ies).

(e) **Unlawfulness**

It is or becomes unlawful for the Borrower to perform any of its obligations under this Agreement.

(f) **Material adverse change**

Any event (including a change in the political situation of the country of the Borrower) or any measure which have a Material Adverse Effect occurs or is likely to occur.

(g) **Authorisations**

Any Authorisation required for the Borrower in order to perform or comply with its obligations under this Agreement or required in the ordinary course of the Program is not obtained within the required timeframe or is cancelled or becomes invalid or otherwise ceases to be in full force and effect.

(h) **Judgments, rulings or decisions having a Material Adverse Effect**

Any judgment or arbitral award or any judicial or administrative decision affecting the Borrower has or is reasonably likely, to have a Material Adverse Effect. occurs or is likely to occur.

(i) **Suspension of free convertibility and free transfer**

Free convertibility and free transfer of any of the amounts due by the Borrower under this Agreement, or any other facility provided by the Lender to the Borrower or any other borrower of the jurisdiction of the Borrower, is challenged.

13.2 Acceleration

On and at any time after the occurrence of an Event of Default, the Lender may, without providing any formal demand or commencing any judicial or extra-judicial proceedings, by written notice to the Borrower:

(a) cancel the Available Credit; and/or

(b) declare that all or part of the Facility, together with any accrued or outstanding interest and all other amounts outstanding under this Agreement, are immediately due and payable.

Without prejudice to the above, in the event that an Event of Default occurs as set out in Clause 13.1 (*Events of Default*), the Lender reserves the right to, upon written notice to the Borrower, (i) suspend or postpone the Drawdown under the Facility; and/or (ii) suspend the finalisation of any agreements relating to other possible financial offers which have been notified by the Lender to the Borrower; and/or (iii) suspend or postpone any drawdown under any loan agreement entered into between the Borrower and the Lender.

13.3 Notification of an Event of Default

In accordance with Clause 12.3 (*Additional Information*), the Borrower shall promptly notify the Lender upon becoming aware of any event which is or is likely to be an Event of Default and inform the Lender of all the measures contemplated by the Borrower to remedy it.

14. ADMINISTRATION OF THE FACILITY

14.1 Payments

All payments received by the Lender under this Agreement shall be applied towards the payment of expenses, fees, interest, principal amounts or any other sum due under this Agreement in the following order:

1) incidental costs and expenses;

2) fees;

3) late-payment interest and default interest;

4) accrued interest;

5) principal repayments.

Any payments received from the Borrower shall be applied first in or towards payment of any sums due and payable under the Facility or under other loans extended by the Lender to the Borrower, should it be in the Lender's interest to apply these sums to such other loans, in the order set out above.

14.2 Set-off

Without prior approval of the Borrower, the Lender may, at any time, set-off due and payable obligations owed by the Borrower against any amounts held by the Lender on behalf of the

Borrower or any due and payable obligations owed by the Lender to the Borrower. If the obligations are in different currencies, the Lender may convert either obligation at the prevailing currency exchange rate for the purpose of the set-off.

All payments made by the Borrower under the Agreement shall be calculated and made without set-off. The Borrower is prohibited from making any set-off.

14.3 Business Days

If a payment is due on a day which is not a Business Day, the due date for that payment shall be the next Business Day if the next Business Day is in the same calendar month. or the preceding Business Day if the next Business Day is not in the same calendar month.

During any extension of the Payment Date for a principal or unpaid amount under this Agreement, interest shall be payable on that amount during the extension period at the rate applicable on the original Payment Date.

14.4 Currency of payment

The currency of each amount payable under this Agreement is Euros, except as provided in Clause 14.6 (*Place of payment*).

14.5 Day count convention

Any interest, fee or expense accruing under this Agreement will be calculated on the basis of the actual number of days elapsed and a year of three hundred and sixty (360) days in accordance with European interbank market practice.

14.6 Place of payment

(a) Any funds to be transferred by the Lender to the Borrower under the Facility will be paid to the Borrower's Account or any other account specifically designated for such purpose by the Borrower, provided that the Lender has given its prior consent on the selected bank.

(b) The Borrower shall pay directly or, if applicable, reimburse the Lender in case of an advance made by the Lender, the amount of all costs and expenses in connection with the transfer of funds to, or for the account of, the Borrower from Paris to any other place agreed with the Lender, as well as any transfer fees and expenses in connection with the payment of all sums due under the Facility.

(c) Any payment to be made by the Borrower to the Lender shall be paid on the due date by no later than 11:00 am (Paris time) to the following bank account:

RIB Code: 30001 00064 00000040235 03

IBAN Code:FR76 3000 1000 6400 0000 4023 503

Banque de France SWIFT code (BIC): BDFEFRPPCCT

opened by the Lender at the Banque de France (head office/main branch) in Paris or any other account notified by the Lender to the Borrower.

(d) The Borrower shall request from the bank responsible for transferring any amounts to the Lender that it provides the following information in any wire transfer messages in a comprehensive manner and in the order set out below (the caption numbers are referring to SWIFT MT 202 and 103 protocol)

- Principal: name, address, bank account number (field 50)

- Principal's bank: name and address (field 52)
- Reference: name of the Borrower, name of the Program, reference number of the Agreement (field 70)

(e) All payments made by the Borrower shall comply with this Clause 14.6 (*Place of payment*) in order for the relevant payment obligation to be deemed discharged in full.

14.7 Payment Systems Disruption

If the Lender determines (in its discretion) that a Payment Systems Disruption Event has occurred or the Borrower notifies the Lender that a Payment Systems Disruption Event has occurred, the Lender:

(a) may, and shall if requested by the Borrower, enter into discussions with the Borrower with a view to agreeing any changes to the operation and administration of the Facility as the Lender may deem necessary in the circumstances;

(b) shall not be obliged to enter into discussions with the Borrower in relation to any of the changes mentioned in paragraph (a) above if, in its opinion, it is not practicable to do so in the circumstances and, in any event, it has no obligation to agree to such changes; and

(c) shall not be liable for any cost, loss or liability arising as a result of its taking, or failing to take, any actions pursuant to this Clause 14.7 (*Payment Systems Disruption*).

15. MISCELLANEOUS

15.1 Language

The language of this Agreement is English. If this Agreement is translated into another language, the English version shall prevail in the event of any conflicting interpretation or in the event of a dispute between the Parties.

All notices given or documents provided under, or in connection with, this Agreement shall be in English.

The Lender may request that a notice or document provided under, or in connection with, this Agreement which is not in English is accompanied by a certified English translation, in which case, the English translation shall prevail unless the document is a statutory document of a company, legal text or other official document.

15.2 Certifications and determinations

In any litigation or arbitration arising out of or in connection with this Agreement, entries made in the accounts maintained by the Lender are *prima facie* evidence of the matters to which they relate.

Any certification or determination by the Lender of a rate or amount under this Agreement will be, in the absence of manifest error, conclusive evidence of the matters to which it relates.

15:3 Partial invalidity

If, at any time, a term of this Agreement is or becomes illegal, invalid or unenforceable, neither the validity, legality nor enforceability of the remaining provisions of this Agreement will in any way be affected or impaired.

15.4 No Waiver

Failure to exercise, or a delay in exercising, on the part of the Lender of any right under the Agreement shall not operate as a waiver of that right.

Partial exercise of any right shall not prevent any further exercise of such right or the exercise of any other right or remedy under the applicable law.

The rights and remedies of the Lender under this Agreement are cumulative and not exclusive of any rights and remedies under the applicable law.

15.5 Assignment

The Borrower may not assign or transfer, in any manner whatsoever, all or any of its rights and obligations under this Agreement without the prior written consent of the Lender.

The Borrower agrees that the Lender may assign or transfer any of its rights or obligations under this Agreement to any other third party, with the same conditions than those provided in the Agreement, and may enter into any sub-participation agreement relating thereto.

The Lender shall inform the Borrower in case of any transfer of its rights or obligations to any third party.

15.6 Legal effect

The Schedules annexed hereto and the recitals hereof form part of this Agreement and have the same legal effect.

15.7 Entire agreement

As of the Effective Date, this Agreement represents the entire agreement between the Parties in relation to the matters set out herein, and supersedes and replaces all previous documents, agreements or understandings which may have been exchanged or communicated as part of the negotiations in connection with this Agreement.

15.8 Amendments

No amendment may be made to this Agreement unless expressly agreed in writing between the Parties. The entry into force of any amendment to this Agreement will have to follow the same procedure as provided for the entry into force of this Agreement.

15.9 Confidentiality – Disclosure of information

(a) The Borrower shall not disclose the content of this Agreement to any third party without the prior consent of the Lender except to any person to whom the Borrower has a disclosure obligation under any applicable law, regulation or judicial ruling.

(b) Notwithstanding any existing confidentiality agreement, the Lender may disclose any information or documents in relation to the Program to: (i) its auditors, experts, rating agencies, legal advisers or supervisory bodies; (ii) any person or entity to whom the Lender may assign or transfer all or part of its rights or obligations under the Agreement; and (iii) any person or entity for the purpose of taking any protective measures or preserving the rights of the Lender under the Agreement.

(c) Furthermore, the Borrower hereby expressly authorizes the Lender:

(i) to exchange with the French Republic for publication on the French government website pursuant to any request from International Aid Transparency Initiative; and

(ii) to publish on the Lender's Website;

information relating to the Program and its financing as listed in Schedule 6 (*Information that may be published on the French Government Website and the Lender's Website*).

15.10 Limitation

The statute of limitations of any claims under this Agreement shall be ten (10) years, except for any claim of interest due under this Agreement.

15.11 No hardship

Each Party hereby acknowledges that the provisions of article 1195 of the French Code civil shall not apply to it with respect to its obligations under this Agreement and it shall be not entitled to make any claim under article 1195 of the French Code civil.

16. NOTICES

16.1 In writing and addresses

Any notice, request or other communication to be given or made under or in connection with this Agreement shall be given or made in writing and, unless otherwise stated, may be given or made by fax or by letter sent by the post office to the address and number of the relevant Party set out below:

For the Borrower:

Name: Ministry of Finance of Georgia

Address : 16 Gorgasali Street, 0114 Tbilisi, Georgia

Tel: +995 32 2261450

E-mail: publicdebt@mof.ge

Attention: Public Debt Management Department

For the Lender:

AFD – PARIS HEAD OFFICE

Address: 5, rue Roland Barthes – 75598 Paris Cedex 12, France

Telephone: + 33 1 53 44 31 31

Facsimile: + 33 1 44 87 39 65

Attention: AFD Director - Eastern Europe, Middle East, Asia

or such other address, fax number, department or officer as one Party notifies to the other Party.

16.2 Delivery

Any notice, request or communication made or any document sent by a Party to the other Party in connection with this Agreement will only be effective:

(a) if by fax, when received in a legible form; and

(b) if by letter sent though the post office, when delivered to the correct address,

and, where a particular person or a department is specified as part of the address details provided under Clause 16.1 (*In writing and addresses*), if such notice, request or communication has been addressed to that person or department.

16.3 Electronic communications

(a) Any communication made by one person to another under or in connection with this Agreement may be made by electronic mail or other electronic means if the Parties:

(i) agree that, unless and until notified to the contrary, this is to be an accepted form of communication;

(ii) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and

(iii) notify each other of any change to their address or any other such information supplied by them.

(b) Any electronic communication made between the Parties will be effective only when actually received in a readable form.

17. GOVERNING LAW, ENFORCEMENT AND CHOICE OF DOMICILE

17.1 Governing Law

This Agreement is governed by French law.

17.2 Arbitration

Any dispute arising out of or in connection with this Agreement shall be referred to and finally settled by arbitration under the Rules of Arbitration of the International Chamber of Commerce applicable on the date of commencement of arbitration proceedings, by one or more arbitrators to be appointed in accordance with such Rules.

The seat of arbitration shall be Paris and the language of arbitration shall be English.

This arbitration clause shall remain in full force and effect if this Agreement is declared void or is terminated or cancelled and following expiry of this Agreement. The Parties' contractual obligations under this Agreement are not suspended if a Party initiates legal proceedings against the other Party.

For the avoidance of any doubt, the costs of conservatory or protective measures taken before any arbitral procedure shall be incurred by the Party against whom the final arbitral award has been rendered if this point is not covered by such arbitral award.

The Parties expressly agree that by signing the Agreement, the Borrower irrevocably waives all rights of immunity in respect of jurisdiction or execution on which it could otherwise rely provided, however, that immunity is not waived with respect to (i) present or future "premises of the mission" including any bank accounts as defined in the Vienna Convention on Diplomatic Relations signed in 1961, "consular premises" including any bank accounts 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), (ii) property of a military character or under the control of a military authority or defence agency, (iii) property located in Georgia and dedicated to a public, governmental or cultural use (as opposed to a commercial use) or (iv) 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 institution, or (B) property located in Georgia of any type covered by Article 2^1 of the Law of Georgia on Enforcement Proceedings. Borrower 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.

17.3 Service of process

Without prejudice to any applicable law, for the purposes of serving judicial and extrajudicial documents in connection with any action or proceedings referred to above, the Borrower irrevocably chooses its registered office as at the date of this Agreement at the address set out in Clause 16 (*Notices*) for service of process, and the Lender chooses the address "AFD HEAD OFFICE" set out in Clause 16 (*Notices*) for service of process.

18. DURATION

This Agreement shall enter into force on the date upon which the Georgian Parliament will have ratified the Agreement (the "Effective Date") such ratification occurring not later than ninety (90) days after the Signing Date. This Agreement shall remain in full force and effect for as long as any amount is outstanding.

Notwithstanding the above, the obligations under Clause 15.9 (*Confidentiality – Disclosure of information*) shall survive and remain in full force and effect for a period of five (5) years after the last Payment Date; the provisions of Clause 11.4.2 (*Environmental and social grievance management*) shall continue to have effect whilst any grievance lodged under the ES Grievance Management Procedures is still being processed or monitored.

Executed in two (2) originals, in Tbilisi, on October 7th 2019.

BORROWER

GEORGIA

Mr. Ivane MATCHAVARIANI

Minister of Finance of Georgia

LENDER

AGENCE FRANÇAISE DE DÉVELOPPEMENT

Ms. Cécile COUPRIE
Regional Director for Eastern Europe and Central Asia

Co-signatory, His Excellency Diego COLAS, Ambassador of France to Georgia

SCHEDULE 1A – DEFINITIONS

Act of Corruption	means any of the following: (a) the act of promising, offering or giving, directly or indirectly, to a Public Official or to any person who directs or works, in any capacity, for a private sector entity, an undue advantage of any nature, for the relevant person himself or herself or for another person or entity, in order that this person acts or refrains from acting in breach of his or her legal, contractual or professional obligations and, having for effect to influence his or her own actions or those of another person or entity: or (b) the act of a Public Official or any person who directs or works, in any capacity, for a private sector entity, soliciting or accepting, directly or indirectly, an undue advantage of any nature, for the relevant person himself or herself or for another person or entity, in order that this person acts or refrains from acting in breach of his or her legal, contractual or professional obligations and, having for effect to influence his or her own actions or those of another person or entity.
Agreement	means this credit facility agreement, including its recitals. Schedules and, if applicable, any amendments made in writing thereto.
Anti-Competitive Practices	means: (a) any concerted or implicit action having as its object and/or as its effects to impede, restrict or distort fair competition in a market, including without limitation when it tends to: (i) limit market access or the free exercise of competition by other companies; (ii) prevent price setting by the free play of markets by artificially favouring the increase or decrease of such prices; (iii) limit or control any production, markets, investment or technical progress; or (iv) share out markets or sources of supply; (b) any abuse by a company or group of companies of a dominant position within a domestic market or in a substantial part thereof; or (c) any bid or predatory pricing having as its object and/or its effect to eliminate from a market, or to prevent a company or one of its products from accessing the market.
Authorisation(s)	means any authorisation, consent, approval, resolution. permit, licence, exemption, filing, notarisation or registration. or any exemptions in respect thereof, obtained from or provided by an Authority, whether granted by means of an act, or deemed granted if no answer is received within a defined time limit, as well as any approval and consent given by the Borrower's creditors.

Authority(ies)	means any government or statutory entity, department or commission exercising a public prerogative, or any administration, court, agency or State or any governmental, administrative, tax or judicial entity.
Availability Period	means the period from and including the Signing Date up to the Deadline for Drawdown.
Available Credit	means, at any given time, the maximum principal amount specified in Clause 2.1 (*Facility*) less: (i) the aggregate amount of any Drawdowns drawn by the Borrower; (ii) the amount of any Drawdown to be made pursuant to any pending Drawdown Request; and (iii) any portion of the Facility which has been cancelled pursuant to Clauses 8.3 (*Cancellation by the Borrower*) and/or 8.4 (*Cancellation by the Lender*).
Borrower's Account	means the account with the following details: • IBAN code: GE65NB0331100001150207 • Bank SWIFT code: BNLNGE22 opened in the name of the Borrower with the State Treasury, Ministry of Finance of Georgia.
Business Day	means a day (other than Saturday or Sunday) on which banks are open for general business in Paris, and which is also a TARGET Day.
Certified	means for any copy, photocopy or other duplicate of an original document, the certification by any duly authorised person, as to the conformity of the copy, photocopy or duplicate with the original document.
Deadline for Drawdown	Means October 7th, 2020, date after which no further Drawdown may occur.
Drawdown	means a drawdown of all or part of the Facility made available by the Lender to the Borrower pursuant to the terms and conditions set out in Clause 3 (*Drawdown of Funds*) or the principal amount outstanding of such Drawdown which remains due and payable at a given time.
Drawdown Date	means the date on which a Drawdown is made available by the Lender.
Drawdown Period	means the period starting on the Drawdown Date up to and including the first of the following date: (i) the date on which the Available Credit is equal to zero;

	(ii) the Deadline for Drawdown.
Drawdown Request	means a request substantially in the form set out in Schedule 5A (*Form of Drawdown Request*).
Effective Date	has the meaning given in Clause 18 (*Duration*) of this Agreement.
Embargo	means any sanction of a commercial nature aiming at prohibiting any import and/or export (supply, sale or transfer) of one or several goods, products or services going to and/or coming from a country for a given period as published and amended from time to time by the United Nations, the European Union or France.
ES Grievance Management Procedures	means the contractual terms contained in the Environmental and Social Grievance Management Procedures, which is available on the Website, as amended from time to time.
EURIBOR	means the inter-bank rate applicable to Euro for any deposits denominated in Euro for a period comparable to the Interest Period of the relevant Drawdown, as determined by the European Money Markets Institute (EMMI), or any successor thereto, at 11:00 am Brussels time, two (2) Business Days before the first day of the Interest Period.
Euro(s) or EUR	means the single currency of the member states of the European Economic and Monetary Union, including France, and having legal tender in such Member States.
Event of Default	means any event or circumstance set out in Clause 13.1 (*Events of Default*).
Facility	means the credit facility made available by the Lender to the Borrower in accordance with this Agreement up to the maximum principal amount set out in Clause 2.1 (*Facility*).
Financial Indebtedness	means any financial indebtedness for and in respect of: (a) any monies borrowed on a short, medium or long-term basis: (b) any amounts raised pursuant to the issue of bonds, notes, debentures, loan stock or any similar instruments; (c) any funds raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing; (d) any potential payment obligation that results from a guarantee, bond, or any other instrument.
Financial Sanctions List	means the list(s) of persons, groups or entities which are subject to financial sanctions by the United Nations, the European Union and/or

	France. For information purposes only and for the convenience of the Borrower, who may rely on, the following references or website addresses: **For the lists maintained by the United Nations**, the following website may be consulted: https://www.un.org/sc/suborg/en/sanctions/un-sc-consolidated-list **For the lists maintained by the European Union**, the following website may be consulted: http://eeas.europa.eu/cfsp/sanctions/consol-list_en.htm **For the lists maintained by France**, the following website may be consulted: http://www.tresor.economie.gouv.fr/4248_Dispositif-National-de-Gel-Terroriste
Fixed Reference Rate	means zero point sixty five per cent (0.65%) per annum.
Fraud	means any unfair practice (acts or omissions) deliberately intended to mislead others, to intentionally conceal elements there from, or to betray or vitiate his/her consent, to circumvent any legal or regulatory requirements and/or to violate internal rules and procedures of the Borrower or a third party in order to obtain an illegitimate benefit.
Fraud against the Financial Interests of the European Community	means any intentional act or omission intended to damage the European Union budget and involving (i) the use or presentation of false, inaccurate or incomplete statements or documents, which has as effect the misappropriation or wrongful retention of funds or any illegal reduction in resources of the general budget of the European Union; (ii) the non-disclosure of information with the same effect; and (iii) misappropriation of such funds for purposes other than those for which such funds were originally granted.
Grace Period	means the period from the Signing Date up to and including the date falling seventy-two (72) months after such date, during which no principal repayment under the Facility is due and payable.
Illicit Origin	means funds obtained through: (a) the commission of any predicate offence as designated in the FATF 40 recommendations Glossary under "*Designated categories of offences*" (http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf); (b) any Act of Corruption; or (c) any Fraud against the Financial Interests of the European

	Community, if or when applicable.
Index Rate	means the TEC 10 daily index, the ten-year constant maturity rate displayed on a daily basis on the relevant quotation page of the Reference Financial Institution or any other index which may replace the TEC 10 daily index. On the Signing Date, the Index Rate on 2nd October 2019 is minus zero point twenty two per cent (-0.22%) per annum.
Interest Period(s)	means each period from a Payment Date (exclusive) up to the next Payment Date (inclusive). For each Drawdown under the Facility, the first interest period shall start on the Drawdown Date (exclusive) and end on the next successive Payment Date (inclusive).
Interest Rate	means the interest rate expressed as a percentage and determined in accordance with Clause 4.1 (*Interest Rate*).
Margin	Means zero point sixty per cent (0.60%) per annum.
Market Disruption Event	means the occurrence of one of the following events: (i) EURIBOR is not determined by the European Money Markets Institute (EMMI), or any successor thereto, at 11:00am Brussels time, two (2) Business Days before the first day of the relevant Interest Period; or (ii) before close of business of the relevant interbank market, two (2) Business Days prior to the first day of the relevant Interest Period, the Borrower receives notification from the Lender that (i) the cost to the Lender of obtaining matching resources in the relevant interbank market would be in excess of EURIBOR for the relevant Interest Period; or (ii) it cannot or will not be able to obtain matching resources on the relevant interbank market in the ordinary course of business to fund the relevant Drawdown for the relevant time period.
Material Adverse Effect	means a material and adverse effect on: (a) the Program, insofar as it would jeopardise the implementation and operation of the Program in accordance with this Agreement; (b) the business, assets, financial condition of the Borrower or its ability to perform its obligations under this Agreement: (c) the validity or enforceability of this Agreement; or (d) any right or remedy of the Lender under this Agreement.

Outstanding Principal	means, in respect of any Drawdown, the outstanding principal amount due in respect of such Drawdown, corresponding to the amount of the Drawdown paid by the Lender to the Borrower less the aggregate of instalments of principal repaid by the Borrower to the Lender in respect of such Drawdown.
Payment Dates	means February 16th and August 16th of each year.
Payment Systems Disruption Event	means either or both of: (a) a material disruption to the payment or communication systems or to the financial markets which are, in each case, required to operate in order for payments to be made in connection with the Facility (or otherwise in order for the transactions contemplated by this Agreement to be carried out), provided that the disruption is not caused by, and is beyond the control of, any of the Parties; or (b) the occurrence of any other event which results in a disruption (of a technical or system-related nature) to the treasury or payment operations of a Party preventing that, or any other Party: (i) from performing its payment obligations under this Agreement; or (ii) from communicating with the other Parties in accordance with the terms of this Agreement; and which (in either case) is not caused by, and is beyond the control of, either Party.
Prepayment Compensatory Indemnity	means the indemnity calculated by applying the following percentage to the amount of the Facility which is repaid in advance: - if the repayment occurs prior to the 6th anniversary (exclusive) of the Signing Date: two point five per cent (2.5%); - if the repayment occurs between the 6th anniversary (inclusive) and the 10th anniversary (exclusive) of the Signing Date: two per cent (2%); - if the repayment occurs between the 10th anniversary (inclusive) and the 15th anniversary (exclusive) of the Signing Date: one point five per cent (1.5%); - if the repayment occurs after the 15th anniversary (inclusive) of the Signing Date: one per cent (1%).
Program	means the Program as described in Schedule 2 (*Program Description*).
Public Official	means (i) any holder of legislative, executive, administrative or judicial office whether appointed or elected, serving on permanent basis or otherwise, paid or unpaid, regardless of rank, or (ii) any other person defined as a public official under the domestic law of the Borrower's jurisdiction of incorporation, and (iii) any other person

	exercising a public function, including for a public agency or organisation, or providing a public service.
Rate Conversion	means the conversion of the floating rate applicable to all or part of the Facility into a fixed rate pursuant to Clause 4.1 (*Interest Rate*).
Rate Conversion Request	means a request from the Borrower substantially in the form attached as Schedule 5C (*Form of Rate Conversion Request*).
Rate Setting Date	means: I - in relation to any Interest Period for which an Interest Rate is to be determined: (i) the first Wednesday (or, if that date is not a Business Day, the immediately following Business Day) following the date of receipt by the Lender of the Drawdown Request, provided that such date is at least two (2) full Business Days prior to said Wednesday; (ii) the second Wednesday (or, if that date is not a Business Day, the immediately following Business Day) following the date of receipt by the Lender of the Drawdown Request, if such date does not at least two (2) full Business Days prior to the first Wednesday specified in paragraph (a) above. II - in the case of a Rate Conversion: (i) the first Wednesday (or, if that date is not a Business Day, the immediately following Business Day) following the date of receipt by the Lender of the Rate Conversion Request from the Borrower provided such date is at least two (2) full Business Days before the first Wednesday; (ii) the second Wednesday (or, if that date is not a Business Day, the immediately following Business Day) following the date of receipt by the Lender of the Rate Conversion Request, if such date is not at least two (2) full Business Days prior to the first Wednesday.
Reference Financial Institution	means a financial institution chosen as a suitable reference financial institution by the Lender and which regularly publishes quotations of financial instruments on one of the international financial information networks according to the practices recognised by the banking industry.
Schedule(s)	means any schedule or schedules to this Agreement.
Signing Date	means the date of execution of this Agreement by all the Parties.
TARGET Day	means a day on which the Trans European Automated Real Time Gross Settlement Express Transfer 2 (TARGET2) system, or any

	successor thereto, is open for payment settlement in Euros.
Tax(es)	means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with a failure to pay or any delay in the payment of any such amounts).
Website	means the website of AFD (http://www.afd.fr/) or any other such replacement website.
Withholding Tax	means any deduction or retention in respect of a Tax on any payment made under or in connection with this Agreement.

SCHEDULE 1B - INTERPRETATION

(a) "**assets**" includes present and future properties, revenues and rights of every description;

(b) any reference to the "**Borrower**", a "**Party**" or a "**Lender**" includes its successors in title, permitted assigns and permitted transferees;

(c) any reference to the Agreement or other document is a reference to this Agreement or to such other document as amended, restated or supplemented and includes, if applicable, any document which replaces it through novation, in accordance with the Agreement;

(d) a "**guarantee**" includes any *cautionnement, aval* and any *garantie* which is independent from the debt to which it relates;

(e) "**indebtedness**" means any obligation of any person whatsoever (whether incurred as principal or as surety) for the payment or repayment of money, whether present, future, actual or contingent;

(f) a "**person**" includes any person, company, corporation, partnership, trust, government, state or state agency or any association, or group of two or more of the foregoing (whether or not having separate legal personality);

(g) a "**regulation**" includes any legislation, regulation, rule, decree, official directive, instruction, request, advice, recommendation, decision or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, supervisory authority, regulatory authority, independent administrative authority, agency, department or any division of any other authority or organisation (including any regulation issued by an industrial or commercial public entity) having an effect on this Agreement or on the rights and obligations of a Party;

(h) a provision of law is a reference to that provision as amended;

(i) unless otherwise provided, a time of day is a reference to Paris time;

(j) The Section, Clause and Schedule headings are for ease of reference only and do not affect the interpretation of this Agreement;

(k) unless otherwise provided, words and expressions used in any other document relating to this Agreement or in any notice given in connection with this Agreement have the same meaning in that document or notice as in this Agreement;

(l) an Event of Default is "continuing" if it has not been remedied or if the Lender has not waived any of its rights relating thereto;

(m) a reference to a Clause or Schedule shall be a reference to a Clause or Schedule of this Agreement; and

(n) words importing the plural shall include the singular and vice-versa.

SCHEDULE 2 - PROGRAM DESCRIPTION

I- Objective of the Program

The objective of the Program is to support the government with the implementation of the Energy Sector Reform of Georgia.

Scope of the Program

The scope of the Program is fully aligned with the Policy Based Loan of the KfW on Energy Sector Reform of Georgia, which sets a series of triggers to be reached by the government in the context of the reform agenda detailed in the Indicative Policy Matrix in Schedule 3.

The objective of the program is to support Georgia in its efforts to (i) structure the regulatory framework of the energy efficiency sector and (ii) the regulatory and operational implementation of the 3rd Energy Package (electricity market) with here also in perspective the development of energy efficiency and the further development of a Georgian electricity mix based on renewable energies.

The prior actions are to be fulfilled for the Program to be considered complete.

The Program covers the period 2018-2021. The first tranche of the Program was disbursed in December 2018.

II- Monitoring of the Program

The monitoring of the Program will be carried out in full coordination with KfW, on the basis of the triggers presented in the Policy Matrix and according to the Principles of the Monitoring Scheme agreed upon with the KfW and the Georgian Government within the Declaration of Interest signed on the 14th of May 2018. Regular consultations will be held with the KfW and the Georgian authorities to ensure a close and updated monitoring of the Program, especially through the Program Steering Committee.

SCHEDULE 3: INDICATIVE POLICY MATRIX

This Policy Matrix (2019) may be subject to amendments and changes based on the discussions held between the KfW, AFD and the Borrower.

Category	PRM No	Triggers	Supporting entity	Weighting factor
Obligatory	1	**Adoption of energy efficiency strategic framework by the government:** Establishing the strategic, institutional, and financial vision and draft framework for energy efficiency in Georgia. This shall encompass the adoption of National Energy Efficiency Action Plan (NEEAP) that sets the Georgian Government efficiency target as well as the government's decisions on the institutional and financial framework.	**MoESD[1]**	**3.5%**
	2	**Adoption of draft energy efficiency law in compliance with Directive 2012/27/EU by MoESD:** Adoption of draft energy efficiency law by MoESD. It will establish the Georgian legal foundation for implementing energy efficiency policies, measures, and support schemes in compliance with Directive 2012/27/EU.	**MoESD**	**3.5%**
		Adoption of energy efficiency law in compliance with Directive 2012/27/EU by government: Governmental adoption of MoESD developed and approved law establishing the foundation for implementation of energy efficiency policies, measures, and support schemes in compliance with Directive 2012/27/EU.	**MoESD**	**3.5%**

[1] Ministry of Economy and Sustainable Development

Category	PRM No.	Triggers	Supporting entity	Weighting factor
	3	**Adoption of draft energy efficiency labelling law in compliance with Directive 2010/30/EU by MoESD:** Adoption of draft Energy efficiency labelling Law by MoESD as a necessary precondition to move further towards its adoption by the parliament. It will establish the Georgian legal foundation for transposing EU Directive 2010/30/EU.	**MoESD**	**3.5%**
		Adoption of energy efficiency labelling law in compliance with Directive 2010/30/EU by the government: Adoption into primary acquis of the previously developed energy efficiency law that transposes the EU Directive 2010/30/EU.	**MoESD**	**3.5%**
	4	**Establish an energy efficiency steering platform:** Creation of an energy efficiency inter-ministerial steering platform. The platform shall have the obligation to establish, consult on, integrate, and monitor NEEAP measures and energy efficiency programs. This shall include, but not be limited to: the approval and coordination of state and international energy efficiency investment projects and programmes, the accreditation and certification of energy efficiency programs and schemes, approve and certify training sessions and workshops for certification-trainers, integrate energy efficiency into public education, coordinate state awareness rising campaigns and support and consult on the entire cycle of energy efficiency legislation.	**MoESD**	**3.5%**

Category	PRM No	Triggers	Supporting entity	Weighting factor
	7	**Adoption of draft Energy Law by the government:** Adoption of draft Energy Law by government establishing the legal foundation for the electricity sector reform to a market in compliance with EnC acquis. The Law shall require: i) a new institutional set-up, ii) an unbundling regime (particular in reference to the TSO and DSO), and iii) promote regulatory independence.	MoESD	3.5%
	8	**Adoption of draft electricity market concept by MoESD:** Adoption of electricity market concept by MoESD to provide strategic guidance and target on: i) design for electricity market reform, ii) design for electricity balancing market reform, and iii) principles for the promotion of a functioning electricity market by providing solutions for existing limitations.	MoESD	3.5%
		Adoption of draft electricity market concept by the government: Adoption of electricity market concept by MoESD to provide strategic guidance and target on: i) design for electricity market reform, ii) design for electricity balancing market reform, and iii) principles for the promotion of a functioning electricity market by providing solutions for existing limitations.	MoESD	3.5%

Category	PRM No.	Triggers	Supporting entity	Weighting factor
	9	**Development of draft electricity market and balancing rules:** This measure comprises of the development of two sets of regulatory acts that shall be compliant with EU and EnC acquis: i) the new electricity market rules in line with the electricity market concept previously endorsed by the Government and ii) the balancing concept. Both acts aim to targets for implementation of the Georgian electricity and balancing market, should specify transitory periods and intermediary targets till both underlying concepts will have to be wholly implemented. In addition, the measure includes an appropriate amendment to the existing market rules due to the first stage of market opening in May 2018 and has to be taken into account while measuring progress achieved.	GNERC, MoESD, GSE, ESCO	3.5%
		Adoption of electricity market and balancing rules by the GNERC: Creation of the legal framework for electricity market development through the adoption of two sets of previously developed regulatory acts by the relevant governmental bodies: i) the new electricity market rules in line with the electricity market concept previously endorsed and ii) the balancing concept. These acts should be compliant with the Energy law, implement the target model, and foresee transitory periods during which the intermediary targets as stipulated in both underlying concepts will have to be implemented. Compliance of both acts with the EU and EnC Target Models is crucial and timely implementation and identification of potential legal and regulatory barriers	GNERC	3.5%

Category	PRM No.	Triggers	Supporting entity	Weighting factor
		should be ensured.		
	10	**Balancing mechanism deployment:** Deployment and implementation of the first phase of a previously developed balancing concept, aiming at GSE assuming and taking full responsibility over the load-frequency control processes and all actions subsumed under balancing within the EnC acquis (i.e. pursuant to the ENTSO-E Operation Handbook, or the Operation Guideline, respectively), covering: i) the dimensioning of reserves, ii) the introduction of load-frequency control and balancing energy activation processes, as well as, iii) the definition and procurement of balancing reserves.	GSE,ESCO	3.5%
	12	**Adoption of Legislative Package for Energy Performance of Buildings and enforcement by the government:** Establishment of the primary and secondary legal basis for the promotion of energy efficiency in/of buildings in compliance with Directive 2010/31/EU. This shall provide the legal framework for setting minimum energy performance requirements for new and existing buildings. The compliance with EU legislation shall be assured through positive assessment of the Energy Community. The legislation shall cover topics such as development of a functioning scheme for optimal cost calculation of energy performance of buildings, a software for energy performance certification, the preparation of building stock inventories, (cooperation to) establish a climatic database, and training of expert for certification and energy auditors, as well as,	MoESD	5.2%

Category	PRM No.	Triggers	Supporting entity	Weighting factor
		education and information campaigns directed towards the general public to enforce new legislation.		
	13	**Adoption of secondary act(s) on Energy Efficiency by the government/GNERC:** Implementation of Energy Efficiency standards through secondary legislative act(s) including, but not limited to: legislation on institutional setting and financing instruments, energy efficiency procurement procedures, mandatory energy efficiency labelling and certification, metering, informative billing, and energy audits, as well as, measures which focus on the energy efficiency of buildings. This shall be supplemented by an awareness raising campaigns designed to explain the benefits of energy efficiency, measures and financing opportunities.	**MoESD, GNERC**	**5.2%**
	14	**Adoption of transparency strategy by the government/GNERC:** Establishment policy in respect to promoting the principal of transparency in all energy related field including but not limited to policy-making, market operation, and regulation. This shall encompass the timely and comprehensive publication and monitoring of fundamental electricity market data as well as legal and regulatory acts in order to reduce market entry barriers	**MoESD, GNERC**	**5.2%**

Category	PRM No.	Triggers	Supporting entity	Weighting factor
		and improve emerging competitive and non-discriminatory price formation. This obligation shall be executed through regulation making it mandatory for companies to publish the respective data to a relevant entity that shall be responsible to make the data available to the public free of charge. A Regulatory monitoring unit shall be established, as long as an existing unit(s) is not covering this or it is not against the internal structure rules of GNERC, that shall monitor market functioning as well as investigate market abuse and shall be given the power to sanction identified market abuses.		
	15	**Promotion of regulatory independence:** Establishing, implementation, and enforcement of acquis that sets up GNERC as an independent regulator. This shall encompass bestowing upon the regulator sufficient power, functions, and abilities such that theregulator is independent from political and third-part influence. It shall establish the regulator independent in respect to, but not limited to, legal, (sufficient) staffing, operational, and financial areas. Moreover, it shall stipulate the regulators' accountability and the relevant transparency principal to be adhered to by the regulator.	**GNERC**	**5.2%**

Category	PRM No.	Triggers	Supporting entity	Weighting factor
	20	**Identify barriers for market entry and participation:** Identification of all potential legal and regulatory barriers that could hamper electricity market functioning. This shall include the identification of and list all potential legal and regulatory barriers for the future operation of a competitive organised electricity market, including regional market integration. This should not be limited to provisions contained in directly applicable energy laws and by-laws, but also extend to issues in taxation, seat requirements, tariffs and non-tariff barriers, as well as regulations in neighbouring sectors that could negatively impact the electricity market. Provisions which constitute an administrative burden and that are not duly justified should also be identified.	**MoESD, GNERC**	**5.2%**
Preferable	1	**Monitoring scheme for NEEAP:** Establish and implement a monitoring scheme to monitor the progress of the NEEAP implementation and to identify resulting energy savings.	**MoESD**	**3.5%**
	16	**Establishment of procedure for the designation of a Nominated Electricity Market Operator:** Creation of institutional foundations and setting operational responsibilities for the future implementation and operation of market coupling of Georgia with relevant neighbouring markets. This shall include the establishment of the procedure for designation of Nominated Electricity Market Operators (NEMO) based on EU standards and, pen ultimately, shall encompass the designation of the NEMO based on transparent and non-discriminatory principles.	**GNERC**	**4.5%**

Category	PRM No.	Triggers	Supporting entity	Weighting factor
	17	**Adoption of a social support scheme by the government:** Adoption of an appropriate scheme to protect vulnerable and energy poverty threatened customers through measures that do not inhibit nor distort electricity market functioning. This scheme shall be accompanied by a continuous review and positive compliance check by the Energy Community Secretariat.	MoESD	4.5%
	18	**Adoption of Public Service Obligation for Universal Supply by the government/GNERC:** Establishing a transitory regime for the phasing-out of price regulation in the energy sector in all segments during a transitory period. This measure should form the basis for a smooth de-regulation of prices in all electricity market segments while at the same time controlling the impact of deregulation on private households.	MoESD, GNERC	4.5%
	21	**Balancing mechanism completion:** Implementation of the second phase of the adopted balancing concept and shall include the establishment of non-discriminatory imbalance pricing and settlement scheme based on an hourly settlement timeframe as well as the introduction of balance responsibility for, amongst others, the financial settlement of imbalances.	GSE, ESCO	4.5%

Category	PRM No.	Triggers	Supporting entity	Weighting factor
	22	**Joint coordinated allocation of cross-border capacity between GE-TR:** Introducing coordinated processes for the efficient and non-discriminatory capacity allocation and agreeing on the balancing mechanism between Georgia and Turkey. Building of common grid model between GSE and TEIAS covering both grids and a regional grid model. The model shall contain common assumptions about base flows, definitions about reliability margins, capacity calculation processes and timings for allocation as well as on the splitting of capacity between different timeframes. This shall be supplemented by guidelines on the preferential transitory access of PPA to monthly capacity.	**GSE, GNERC, ESCO**	**4.5%**
Advisable	5	**Implementation of public energy efficiency demonstrations:** Promote the early start of energy efficiency demonstration projects in public entities or local jurisdictions. The implementation of energy efficiency demonstration projects shall cover the areas of energy management, energy efficient public procurement, energy performance contracting, energy efficient public street lighting and refurbishment or construction of public buildings (including building insulation, refurbishment, process optimisation, hardware replacement, software improvement, or replacement of energy consuming devices) with ex-ante and ex-post	**MoESD, MoRDI[2]**	**2.0%**

[2] The role of Information Entity of the Ministry of Regional Development and Infrastructure is subject to their agreement and is envisaged to be in support and cooperation of the MoESD.

Category	PRM No	Triggers	Supporting entity	Weighting factor
		quantifications of energy, money, and emissions savings in at least 4 municipalities, as well as, the quantification of associated social and health care benefits.		
	19	**Test-run of balancing market:** Execution of trial runs for the future participants and stakeholders of the new balancing market to better understand the processes. The test-run shall be performed using the same software and hardware that is envisaged for the real operation of the balancing market. Prior, the structures for an operating balancing market should already be developed.	**GSE, ESCO**	**2.0%**
	14	**Corporatization of GSE:** Given its position as a natural monopoly due to its central role as TSO in the future market, and being a (de facto) state enterprise, this trigger shall encompass the establishment of a clear best practice corporate structure and governance of GSE that is compliant with Energy Community acquis as it relates to transmission system operator and is in line with EU practices. This shall, amongst others, include a clear independent corporate structure for the company ownership, board, and upper management, as well as, a clear delineation that limits direct political influence and involvement, clear decision mechanism on the basis of (commercial) cost minimization consideration, and a compliance mechanism and supervision strategy. The corporatization shall also include a comprehensive, clear, and transparent communication strategy in regard to the corporatization of GSE and in particular the involvement of the public in the process and future	**GSE**	**2.0%**

Category	PRM No.	Triggers	Supporting entity	Weighting factor
		ownership of the company. This trigger in its fulfilment will be without prejudice towards the transparency strategy as adopted and implemented by GNERC and shall be in compliance with GNERC's decision.		

SCHEDULE 4 - CONDITIONS PRECEDENT

The following applies to all documents delivered by the Borrower as a condition precedent:

- if the document which is delivered is not an original but a photocopy, the original Certified photocopy shall be delivered to the Lender;
- the final version of a document which draft was previously sent to, and agreed upon by the Lender, shall not materially differ from the agreed draft;
- documents not previously sent and agreed upon, shall be satisfactory to the Lender.

PART I – CONDITIONS PRECEDENT TO BE SATISFIED ON THE SIGNING DATE

(a) Delivery by the Borrower to the Lender of the following documents:

(i) a Certified copy of the Decree of the Government of Georgia on authorization of the Ministry of Finance of Georgia to sign the Agreement and on approving the terms and conditions of this Agreement, including the financial ones ;

(ii) a Certified copy of the Order of the Prime Minister of Georgia appointing Mr. Ivane Matchavariani as a Minister of Finance of Georgia n°234 dated 12th of July 2018;

(iii) a Certified copy of the passport of Mr. Ivane Matchavariani, Minister of Finance of Georgia together with his specimen of signature;

(iv) a certificate issued by a duly authorised representative of the Borrower listing the person(s) authorised to sign, on behalf of the Borrower, the Drawdown Requests and any certificate in connection with this Agreement and to take all other measures and/or sign all other necessary documents on behalf of the Borrower under this Agreement;

(v) a specimen of the signature of each person listed in the certificate mentioned in paragraph (iv); and

(vi) a letter duly signed by the Ministry of Finance confirming that the drawdown of the Facility will not breach any borrowing limit, or any other similar limit binding on the Borrower.

(b) Delivery by a reputable law firm established in the jurisdiction of the Borrower and selected by the Lender of a draft legal opinion, in form and substance satisfactory to the Lender.

PART II - CONDITIONS PRECEDENT TO THE DRAWDOWN

(a) Delivery by the Borrower to the Lender of the following documents:

(i) a certified copy of the Resolution of the Parliament of Georgia relating to the ratification of the Facility Agreement;

(ii) a letter duly signed by the Ministry of Finance stating that the Facility Agreement is included in the "Registry of State Loan" of Georgia;

(iii) a letter duly signed by the Ministry of Finance confirming that the Program cofinancing loan has been approved by KfW's Board for sixty million Euros (EUR 60,000,000), and signed by both parties (KfW and Ministry of Finance of Georgia) and that the Facility is included in the Borrower's relevant year's budget.

(b) Independent and positive assessment by the Lender that the triggers of the Program for the year 2019 have been properly implemented by the Beneficiary;

(c) Delivery by the Ministry of Justice of Georgia to the Lender of a duly executed legal opinion, in form and substance satisfactory to the Lender;

(d) Delivery by a reputable law firm established in the jurisdiction of the Borrower and selected by the Lender of a signed legal opinion, in form and substance satisfactory to the Lender;

(e) Payment by the Borrower to the Lender of all fees and expenses due and payable under this Agreement.

SCHEDULE 5A - FORM OF DRAWDOWN REQUEST

[on the Borrower's letterhead]

To: AGENCE FRANÇAISE DE DÉVELOPPEMENT

On: *[date]*

Borrower's Name – Credit Facility Agreement n° [•] dated [•]

Drawdown Request n°[•]

Dear Sirs,

1. We refer to the Credit Facility Agreement n° [•] entered into between the Borrower and the Lender dated [•] (the "**Agreement**"). Capitalised words and expressions used but not defined herein have the meanings given to them in the Agreement.

2. We irrevocably request that the Lender makes a Drawdown available on the following terms:

   Amount: EUR 60,000,000

   Interest Rate: *[fixed / floating]*

3. The Interest Rate will be determined in accordance with Clause 4 (*Interest*) of the Agreement. The Interest Rate applicable to the requested Drawdown will be provided to us in writing and we accept this Interest Rate (subject to the paragraph below, if applicable).

   [**For fixed Interest Rate only**:]-If the Interest Rate applicable to the requested Drawdown is greater than [•*insert percentage in words*] ([•]%), we request that you cancel this Drawdown Request.

4. We confirm that each condition specified in Clause 2.4 (*Conditions precedent*) is satisfied on the date of this Drawdown Request and that no Event of Default is continuing or is likely to occur. We agree to notify the Lender immediately if any of the conditions referred to above is not satisfied on or before the Drawdown Date.

5. The proceeds of this Drawdown should be credited to the following bank account:

(a)	Name [of the Borrower]:	[•]
(b)	Address [of the Borrower]:	[•]
(c)	IBAN Account Number:	[•]
(d)	SWIFT Number:	[•]
(e)	Bank and bank's address [of the Borrower]:	[•]
(f)	Correspondent bank and account number of the Borrower's bank:	[•]

6. This Drawdown Request is irrevocable.

7. We have attached to this Drawdown Request all relevant supporting documents specified in Clause 2.4 (*Conditions precedent)* of the Agreement:

[List of supporting documents]

Yours sincerely,

....

Authorised signatory of Borrower

SCHEDULE 5B - FORM OF CONFIRMATION OF DRAWDOWN AND RATE

[on Agence Française de Développement letterhead]

To: [*the Borrower*]

Date: [•]

Ref: Drawdown Request n° [•] dated [•]

Borrower's Name – Credit Facility Agreement n°[•] dated [•]

Drawdown Confirmation n°[•]

Dear Sirs,

1. We refer to the Credit Facility Agreement n°[•] entered into between the Borrower and the Lender dated [•] (the "**Agreement**"). Capitalised words and expressions used but not defined herein have the meanings given to them in the Agreement.

2. By a Drawdown Request Letter dated [•], the Borrower has requested that the Lender makes available a Drawdown in the amount of EUR 60,000,000, pursuant to the terms and conditions of the Agreement.

3. The Drawdown which has been made available according to your Drawdown Request is as follows:

   - Amount: Euros sixty million (EUR 60,000,000)
   - Applicable interest rate: [•*percentage in words*] ([•]%) per annum
   - Drawdown Date: [•]

   [For fixed-Interest Rate loans only]

   For information purposes only:

   - Rate Setting Date: [•]
   - Fixed Reference Rate: [•*percentage in words*] ([•]%) per annum
   - Effective global rate (per annum): [•*percentage in words*] ([•]%)
   - Index Rate: [•*percentage in words*] ([•]%) per annum
   - Index Rate on Rate Setting Date: [•*percentage in words*] ([•]%) per annum.]

Yours sincerely,

Authorised signatory of *Agence Française de Développement*

SCHEDULE 5C - FORM OF RATE CONVERSION REQUEST

[on the Borrower's letterhead]

To: AGENCE FRANÇAISE DE DÉVELOPPEMENT

On: *[date]*

Borrower's Name – Credit Facility Agreement n°[•] dated [•]

Rate Conversion Request n°[•]

Dear Sirs,

1. We refer to the Credit Facility Agreement n°[•] entered into between the Borrower and the Lender dated [•] (the "**Agreement**"). Capitalised words and expressions used but not defined herein have the meanings given to them in the Agreement.

2. Pursuant to Clause 4.1.3 (i) (*Conversion from a floating Interest Rate to a fixed Interest Rate*) of the Agreement, we hereby request that you convert the floating Interest Rate of the following Drawdown:

   - ***[mention Drawdown amount and Drawdown date]***,

   into a fixed Interest Rate in accordance with the terms of the Agreement.

3. This rate conversion request will be deemed null and void if the applicable fixed Interest Rate exceeds [•*insert percentage in words*] [•%].

Yours sincerely,

....

Authorised signatory of Borrower

SCHEDULE 5D - FORM OF RATE CONVERSION CONFIRMATION

[on Agence Française de Développement letterhead]

To: *[the Borrower]*

Date: [•]

Re: Rate Conversion Request n° [•] dated [•]

Borrower's Name – Credit Facility Agreement n°[•] dated [•]

Rate Conversion Confirmation n°[•]

Dear Sirs,

SUBJECT: Conversion from a floating Interest Rate to a fixed Interest Rate

1. We refer to the Credit Facility Agreement n°[•] entered into between the Borrower and the Lender dated [•] (the "**Agreement**"). Capitalised words and expressions used but not defined herein have the meanings given to them in the Agreement.

2. We refer also to your Rate Conversion Request dated [•]. We confirm that the fixed Interest Rate applicable to the Drawdown referred to in your Rate Conversion Request delivered in accordance with Clause 4.1.3 (i) (*Conversion from a floating Interest Rate to a fixed Interest Rate*) of the Agreement is:

   - [•]% per annum.

3. This fixed Interest Rate, calculated in accordance with Clause 4.1.1 *(Selection of Interest Rate)* will apply to the Drawdown referred in your Rate Conversion Request from [●] (effective date).

4. Further, we notify you that the effective global rate per annum of the Facility is [●]%.

Yours sincerely,

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Authorised representative of *Agence Française de Développement*

SCHEDULE 6 - INFORMATION THAT MAY BE PUBLISHED ON THE FRENCH GOVERNMENT WEBSITE AND THE LENDER'S WEBSITE

1. Information regarding the Program

- Number and name in AFD's book;
- Description:
- Operating sector ;
- Place of implementation;
- Expected starting date;
- Status of implementation updated on a semi-annual basis;

2. Information regarding the financing of the Program

- Kind of financing (loan, grant, co-financing, delegated funds);
- Principal amount of the Facility;
- Amount of the Facility which has been drawn down (updated as the implementation of the Program goes).

3. Other information

- Transaction information notice and/or sheet presenting the transaction attached to this Schedule.

SCHEDULE 6-1 - TRANSACTION INFORMATION NOTICE

Support to the Energy Sector Reform of Georgia

Project context and strategic objectives

Poorly endowed in fossil resources, Georgia depends almost exclusively on imports as far as those are concerned. They represent 78% of the country's total energy consumption, in spite of it, hydropower represents 80% of Georgia electricity mix, but with high variability between the different seasons. This last source of energy represents a high potential that the Government of Georgia wishes to take advantage of with the involvement of private stakeholders.

The Georgian demand for electricity grew on average of 5.6% per year for the last years, while the economy was growing of 3.6% per year. Although the energy intensity of the country remains high, Georgia had not until recently laid the strategic, legislative and regulatory groundwork necessary to the promotion of energy efficiency.

Georgia has integrated the Energy Community in 2017, which implies for the country a commitment to transpose the European regulations on energy. This new membership is a huge opportunity for Georgia to establish a well-tested and consistent framework for its electricity market. The current need is to initiate the development of energy efficiency, for it is at the time being missing to the country's economy and it will allow it to set itself on the right direction to commit to its objectives set within the framework of Paris Agreement as well as to continue developing its hydropower potential.

Project aims and contents

The project is the first part of a Program which is structured on the basis of a public policy matrix comprising 36 reform triggers on 4 years (from 2018 to 2021) among which 26 for the year 2019 (including rolled over triggers from 2018).

The aims of the Program are to accompany Georgia in its efforts to:

(i) Structure the legal framework of the energy efficiency sector ;

(ii) Implement in a regulatory and operatively way the 3rd Energy Package of the European Union while looking forward to the development of energy efficiency and the integration of renewable sources of energy as a major part of the Georgian energy mix.

Project operators and modus operandi

The Program will have for public stakeholders the Ministry of Economy and Sustainable Development, representing the Government of Georgia on the operational side and the Ministry of Finance on the financial contracting with AFD and KfW, but also the Georgian public electricity market regulator (GNERC) as well as the Georgian public transmitting operator (GSE).

In order to support the Government of Georgia in the implementation of the reforms triggered by the policy matrix, several programmes of technical assistance are being implemented: one is operated by KfW, on the ground of its own finances complemented by delegated funds from the European Union and another one is financed by AFD.

Costs and financing

This program is a Policy Based Loan, renewable every year for four years, co-financed by the KfW with an amount of 60 M EUR and by AFD with an amount of 60 M EUR.

The program of technical assistance provided by AFD is financed with a grant of EUR 220,000 from the French Fund for exchange and technical expertise (FEXTE) and is being implemented by EDF.

The program will also benefit from a 30 k EUR grant from AFD dedicated to finance the study about the potential impact of electricity tariff evolution as a result of electricity market liberalization on vulnerable households and the measures to be adopted to mitigate it, and to provide technical assistance to GoG on this topic.

Main anticipated effects

This public policy program shall allow Georgia to initiate a policy on energy efficiency development, and thus to reinforce its economy and to commit into an energetic transition trajectory, fully compatible with the Paris Agreement.

Transposing the 3rd Energy Package of the European Union will allow Georgia to reverberate the actual costs of the existing electricity purchase contracts to the final consumers and also to reassure the private investors with a secure and experienced market framework, all of that without additional costs for the Government of Georgia. In the long run, Georgia expects to develop the cross-borders exchanges of electricity, and by that mean to lower the prices of electricity for Georgian consumers.

SCHEDULE 7 - NON-EXHAUSTIVE LIST OF ENVIRONMENTAL AND SOCIAL DOCUMENTS WHICH THE BORROWER PERMITS TO BE DISCLOSED IN CONNECTION WITH ES GRIEVANCE MANAGEMENT PROCEDURES

- Environmental and Social System Assessment (ESSA) of the Program
- Protection of vulnerable Georgian Households from rising electricity prices.
- Report on public consultation

SCHEDULE 8 - E&S COMMITMENT PLAN

THEME	ACTIONS	RESOURCES AND RESPONSIBILITIES	SOURCE OF FUNDING	TIMETABLE AND DEADLINES	ACHIEVEMENT INDICATOR
Environmental and Social System Assessment (ESSA)	Drafting of an ESSA report to be submitted to AFD for review. ESSA report addressing the following aspects: - Description of Program subject to the Assignment and related E&S risks and impacts - Description of Relevant Stakeholders, Relevant KfW / AFD Standards and Applicable National Regulatory Framework - Assessment of Institutional Capacity/ Enforcement/ Alignment of Program E&S risk management with Relevant Standards - Gap analysis and recommendations, including gender - Recommendations for further Technical Assistance - Conclusions/ Next Steps/ Workplan with a clearly described way forward as agreed with KfW / AFD and the Relevant Stakeholders	KfW	KfW	Before signing PBL phase 3	**Reception of ESSA report by AFD** **Modalities of exploitation of the conclusions of the ESSA discussed during the PSC of the reform**
Protection of vulnerable Georgian households from rising electricity prices	Drafting of a specialized study with the following objectives: - To estimate the increases in national poverty rates depending on the increase in electricity prices and to identify the groups most vulnerable to the negative effects of price increases, such as low-income families with children, households with disabled members, households comprised of pensioners only. - To identify specific policies used by EU countries to shield their vulnerable citizens from high electricity prices. - To model the possible effects of selected protection policies in Georgia and to estimate the total volume of public spending required, depending on the level of support offered to the vulnerable families. The report will address the following aspects: - Patterns of electricity consumption by major socio-economic groups - Effects of increased electricity prices unless mitigated, including gender considerations - Potential measures to mitigate the adverse social effects of increased electricity prices - Conclusion and policy recommendations	AFD	AFD	Before signing PBL phase 3	**Modalities of exploitation of the conclusions of the study discussed during the PSC of the reform**