Execution Copy

NEFCO-2020-149 E5P

GRANT AGREEMENT

BETWEEN

GEORGIA
(AS THE GRANTEE)

AND

NORDIC ENVIRONMENT FINANCE CORPORATION
(AS THE IMPLEMENTING AGENCY OF THE E5P FUNDED PROJECT:
"Rehabilitation & Energy Efficiency Improvements in Public Schools in Mountainous Regions in Georgia")

DATED 4 MAY 2022

GRANT AGREEMENT between the following parties (the "Parties"):

(1) **GEORGIA**, represented by the Ministry of Finance (the "**Grantee**"); and

(2) **NORDIC ENVIRONMENT FINANCE CORPORATION ("NEFCO")**, as the Implementing Agency;

(jointly the "**Parties**" and separately also a/the "**Party**");

WHEREAS:

The Assembly of Contributors to the Eastern Europe Energy Efficiency and Environment Partnership Regional Fund, established by the European Bank for Reconstruction and Development ("**EBRD**") in the context of the Eastern Europe Energy Efficiency and Environment Partnership (the "**E5P**"), has on 12 November 2020 approved a grant to support a project for the implementation of Rehabilitation & Energy Efficiency Improvements in Public Schools in Mountainous Regions in Georgia, as described in more detail in Annex 1 (the "**Project**") and has assigned NEFCO as the Implementing Agency;

NEFCO has agreed to enter into a loan agreement with the Grantee, as borrower, providing an amount of up to EUR 3,900,000 (three million nine hundred thousand Euros) for the implementation of the Project (the "**Loan Agreement**"), provided that the Grantee, in parallel, enters into this grant agreement for the financing of Project;

NOW, THEREFORE, the Parties have agreed to enter into this grant agreement and the Annexes listed below in Section 12 (the "**Grant Agreement**") as follows:

SECTION 1. GRANT; PROJECT; OTHER FINANCING; TAXES; SANCTIONS AND DEFINITIONS

1.1 NEFCO undertakes to make available to the Grantee a grant in the amount of up to EUR 2,600,000 (two million six hundred thousand Euros) (the "**Grant**") on the terms and conditions set out in this Grant Agreement.

1.2 It is expressly acknowledged and agreed that NEFCO will not be obliged to make any disbursements or any payment under and/or pursuant to this Grant Agreement, except to the extent such amounts have been made available to NEFCO by the E5P for such purpose, and that NEFCO is entitled to deduct from the Grant amount possible negative interest and bank costs as charged by an account bank. Likewise it is acknowledged and agreed that the Grant may not have the purpose or effect of producing profit for the Grantee.

1.3 The Grant shall be utilised exclusively to finance the procurement of services, goods and/or works necessary for the implementation of the Project and each Sub-project (as defined in Annex 1 hereto), through the Grantee making the Grant available to the MDF as the Project Implementation Unit, under the Agreement on the Project Execution Authority, for the benefit of the Final Beneficiary.

1.4 In addition to the Grant, the Grantee undertakes to sign and execute the Loan Agreement and to make available own funds for the implementation of the Project to ensure that all funds that are required for the timely execution of the Project (including any funds that may be required to meet any increase in cost) are made available, promptly when needed.

1.5 No part of the Grant shall be used, directly or indirectly, for the payment of any taxes, including customs duties or similar other fees and charges in the territory of Georgia or elsewhere.

1.6 Consistent with international law, the proceeds of the Grant shall not be used for payment to persons or entities or for any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under the Chapter VII of the Charter of the United Nations or by the European Union or the United States of America or any of its states or any International Financial Institution or other sanctions authority as NEFCO deems relevant. Persons or entities, or suppliers offering goods and services, covered by such prohibitions shall therefore not be eligible for the award of contracts financed with proceeds of the Grant.

1.7 Words capitalised in this Grant Agreement but not defined herein shall have the same meaning ascribed thereto in the Loan Agreement when used in this Grant Agreement.

SECTION 2. DISBURSEMENT

2.1 The Grant will be disbursed to the Grantee in accordance with a disbursement plan (to be provided by the Grantee and approved by NEFCO before the first disbursement) and subject to the fulfilment of all of the conditions precedent set out in this Grant Agreement as well as the conditions precedent set out in the Loan Agreement as applicable and relevant for each specific disbursement. Notwithstanding anything in this Grant Agreement to the contrary, the obligation of NEFCO to make any disbursement under this Grant Agreement shall also be subject to the condition (i) that the aggregate amount requested for disbursement and/or disbursed under this Grant Agreement shall not at any time exceed the aggregate amount disbursed under the Loan Agreement; and (ii) that the Grantee, before the disbursement, has used, for the purposes of the relevant Sub-project the material part of the previously disbursed funds.

2.2 Disbursements will be effected upon NEFCO's receipt of an original disbursement request issued by the Grantee on the basis of the Form of Disbursement Request (Annex 2) (the "**Disbursement Request**"), provided that the request is satisfactory in substance to NEFCO and is accompanied by supporting documentation evidencing that all relevant conditions precedent are fulfilled.

2.3 Unless otherwise agreed by the Parties in writing, the Disbursement Request shall be irrevocable and binding on the Grantee.

2.4 The Disbursement Request shall be signed on behalf of the Grantee by a person or persons, who have been duly authorized thereto in a document issued by the Grantee on the basis of the Form of Certificate of Incumbency and Authority (Annex 3) and provided to NEFCO.

2.5 The Disbursement Request shall be delivered to NEFCO at least 10 (ten) business days prior to the requested date of disbursement.

2.6 For the purposes of this Grant Agreement, a business day shall mean a day on which NEFCO and commercial banks are open for general business in Helsinki, Finland.

2.7 Subject to Sections 2.1 to 2.6 above, each disbursement will be made available by NEFCO transferring the relevant amount of funds to the Grantee's account set up at the Treasury Service of the Ministry of Finance, indicated in the Disbursement Request, on the requested disbursement date, provided that all of the conditions precedent relevant for the specific disbursement have been fulfilled, as determined by NEFCO, including NEFCO being in receipt of a letter by the Treasury Service of the Ministry of Finance of Georgia confirming the opening of the account to which NEFCO is requested to disburse. The account to which the Grant funds are disbursed shall be separate from the Disbursement Account to which the funds under the Loan Agreement are disbursed.

2.8 For the purposes of this Grant Agreement, the disbursement date shall mean the date on which the relevant amount of funds are debited from NEFCO's account (the "**Disbursement Date**").

2.9 NEFCO will open and maintain in its books a separate record in the Grantee's name showing any sums paid under this Grant Agreement ("**Grant Record**"). Grant Record shall constitute final, conclusive and binding evidence with regard to the Grantee of the status of the Grant, unless shown by the Grantee, to the satisfaction of NEFCO, to contain a manifest clerical error.

2.10 The Grantee will cover costs, fees and expenses incurred in the territory of Georgia in connection with disbursements under this Grant Agreement.

2.11 The closing date of the Grant corresponds to the availability period of the NEFCO loan, i.e. 36 (thirty-six) months after signing of the Loan Agreement (the "**Closing Date**"). The Closing Date may be extended by NEFCO upon separate request from the Grantee.

2.12 Any un-cancelled amount of the Grant for which NEFCO has not received a disbursement request at the Closing Date may be irrevocably cancelled by NEFCO under this Grant Agreement.

2.13 Should any amount of the Grant disbursed to the Grantee not be needed for the purpose of the Project by completion of the implementation of the Project, the Parties shall, subject to no-objection of the EBRD, agree on how to handle such amount.

SECTION 3. CONDITIONS PRECEDENT TO DISBURSEMENT

3.1 Disbursements of the Grant shall only take place subject to the Grantee's fulfilment, on a continuous basis and in a manner satisfactory to NEFCO, of the following conditions precedent, as relevant for each specific disbursement:

a) the Grantee has provided documentation satisfactory to NEFCO evidencing that this Grant Agreement: (i) has been duly signed by both Parties, (ii) is ratified and is in full force and effect, and (iii) NEFCO has received relevant documentation to this effect, including an original counterpart of the signed Grant Agreement;

b) NEFCO has satisfied itself that the MDF is acting as the Project Implementation Unit for the Project (including for avoidance of doubt each and all Sub-projects);

c) the Loan Agreement, in form and substance satisfactory to NEFCO, has been entered into by NEFCO as the lender and the Grantee as the borrower for the implementation of the Project, and all conditions precedent to the effectiveness of the Loan Agreement have been fulfilled, and NEFCO has received its original executed copy thereof;

d) the Project Agreement and the Agreement on the Project Execution Authority and the Investment Financing Agreement, in form and substance satisfactory to NEFCO, have been entered into and all conditions precedent to their respective effectiveness have been fulfilled and NEFCO has received an executed copy thereof;

e) NEFCO has satisfied itself that the Project is fully financed;

f) NEFCO has satisfied itself that the requested disbursement corresponds to the approved disbursement plan and received a progress report confirming that all relevant milestones for the specific disbursement have been met;

g) except in respect of the first disbursement, NEFCO has received evidence in the form of receipts or other documentation acceptable to NEFCO, that at least eighty per cent (80%) of the preceding disbursement has already been applied by the Grantee to cover costs of the Project;

h) the Grantee has confirmed in writing to NEFCO that: (i) the representations and warranties set out below are true and accurate in all respects at the Disbursement Date; (ii) all other undertakings made by the Grantee under this Grant Agreement have been fulfilled;

i) the Grantee and/or the MDF and/or the Final Beneficiary as relevant have obtained all requisite licenses, permits and approvals and/or no-objections by appropriate authorities, as may be necessary to implement the Project or a Sub-project as relevant and to carry out any other actions necessary for the purpose of the Project, and such licenses, permits and approvals are in full force and effect;

j) the Environmental and Social Action Plan(s) satisfactory to NEFCO has been prepared as further specified in the Project Agreement;

k) NEFCO has been provided with a satisfactory legal opinion on this Grant Agreement issued by the Ministry of Justice of Georgia and on the Agreement on the Project Execution Authority issued by MDF;

l) NEFCO has received a list of names, titles and specimen signatures of the parties authorized to represent the Grantee in any manner connected with this Grant Agreement, substantially in the form set out in Annex 3;

m) NEFCO has received such additional information or documentation as NEFCO shall reasonably find necessary before execution of the disbursement;

n) no event of suspension has occurred and is continuing;

o) the amount of Grant requested to be disbursed does not exceed the amount disbursed under the Loan Agreement; and

p) NEFCO has received a Disbursement Request in accordance with the requirements set out in this Grant Agreement.

3.2 Unless otherwise agreed, all documents to be delivered by the Grantee to NEFCO under this Section, whether in original or in an English translation (as relevant), shall be procured at the cost of the Grantee and be satisfactory to NEFCO. Any copies of documents shall, to the extent possible, be authenticated by the relevant issuer and furnished with the Grantee's seal.

SECTION 4. REPRESENTATIONS AND WARRANTIES

All of the representations and warranties of the Grantee in its capacity as the borrower under the Loan Agreement are repeated by the Grantee as if set out herein in full *mutadis mutandis*. The Grantee further acknowledges that NEFCO is entering into this Grant Agreement in full reliance on the following representations and warranties, which the Grantee hereby undertakes:

a) the Grantee has full authority to execute and deliver this Grant Agreement and the Agreement on the Project Execution Authority and to perform its obligations thereunder;

b) the person(s) signing this Grant Agreement on behalf of the Grantee is (are) duly authorized to enter into this Grant Agreement and execute other documents, which may be necessary for the purpose of this Grant Agreement;

c) all statements and financial representations made by or on behalf of the Grantee in connection with entering into this Grant Agreement are true and accurate in all material respects, as of the date where they were made or given;

d) Georgian state authorities and authorities of the municipalities have granted all necessary consents, approvals, licenses and registrations related to the Project, and there are no further material legal requirements which have to be fulfilled to implement the Project;

e) the Grantee is not in default under the Loan Agreement or this Grant Agreement, where such default under any other agreement could have a Material Adverse Effect (as defined below), nor has any legal action or administrative proceeding been instituted or threatened against the Grantee, which could have a Material Adverse Effect;

For the purposes of this Grant Agreement, a "**Material Adverse Effect**" shall mean a material adverse change in or effect on: (i) the ability of the Grantee to perform or comply with any of its obligations under this Grant Agreement, (ii) the Grantee's ability to have the Project implemented or operated within the terms and in the manner contemplated in the Project Description, and/or (iii) the Grantee's operations and/or financial condition.

SECTION 5. PROJECT UNDERTAKINGS

5.1 The Grantee shall be fully responsible towards NEFCO for the implementation of the Project. Without limiting the generality of what is said elsewhere in this Grant Agreement, the Grantee specifically warrants, undertakes and covenants that:

a) it shall ensure that the proceeds of the Grant shall be used solely for the payment of reasonable cost of goods, works and services required for the implementation of the Project;

b) it shall take, or cause to be taken all actions which are necessary to implement the Project with due diligence and efficiency and in accordance with this Grant Agreement, as well as in conformity with appropriate administrative, financial, engineering, social and environmental practices, in order to ensure that the Project comply with the standards outlined in the Feasibility Study;

c) it shall comply with all applicable laws, statutes and regulations as well as with agreements relevant to the Project to which it is a party, including in particular the Loan Agreement;

d) provide funds necessary to fund any taxes (including, without limitation, VAT) and duties (including, without limitation customs duties) on all Goods and Works and services procured from proceeds of this Grant Agreement;

e) it has taken, or shall promptly take action within its powers to approve and provide, or make to be approved and provided, all rights, licenses, filings, registration and authorizations that are necessary for the implementation of the Project;

f) it shall ensure that the scope of the Project is not, and will not be materially changed, unless NEFCO shall otherwise approve in writing;

g) it shall comply with any reporting obligations specified in this Grant Agreement and in the Loan Agreement, including in particular the environmental reporting obligations;

h) it shall furnish to NEFCO, or cause to be furnished in a timely manner any reports and information required by NEFCO separately under this Grant Agreement and in the Loan Agreement, as well as any such other reports and information relating to the implementation of the Project as NEFCO (or EBRD, the European Court of Auditors or any contributor to the E5P when acting through NEFCO) may reasonably request, including, without limitation, a final report following the completion of the Project;

i) it shall provide, or cause to be provided access and make other arrangements for NEFCO or NEFCO's representative(s) (including the representatives of EBRD, the European Court of Auditors or any contributor to the E5P when acting through NEFCO) to visit all relevant construction and/or sites of the Project and review all books of account relating to the use of the Grant to ascertain that the proceeds of the Grant are applied in accordance with this Grant Agreement;

j) it shall promptly notify NEFCO of any event or situation that may affect the implementation of the Project or which may require the Parties' assessment of the need to agree on a modification or an alteration in the scope, character or execution of the Project or in the foreseen financing;

k) it shall ensure that the Project accounts are kept in accordance with IPSAS and allow them to be audited and inspected by the relevant state body of the Grantee or another body acceptable to NEFCO;

l) it shall furnish NEFCO with all such information concerning the records, accounts and financial statements relating to the Project, as well as audits, as NEFCO shall from time to time reasonably request;

m) it shall maintain in force, renew and/or obtain all authorizations necessary for the implementation of the Project and for carrying out the Grantee's operations generally, including the fulfilment of its contractual obligations under this Grant Agreement;

n) it shall promptly notify NEFCO of any event or circumstance which may lead to suspension, as specified in Section 7 below, or any other event or circumstance which could have a Material Adverse Effect (as defined above);

o) it shall ensure on the construction sites established for the Project implementation with the support of the Grant, that appropriate visibility is given to the E5P and its contributors, due account being taken of the relative size of the contributions made by each contributor to the E5P and that where reference is made to the Project, either in official or public information, including promotional material, an acknowledgement is included and made public that the activities were funded with the Grant provided by the E5P, making express reference also to the individual contributors of the E5P;

p) at the request of NEFCO, it shall prepare or have prepared reasonable documentation or material related to the Project implementation to be used by NEFCO, at its discretion, for public information and dissemination purposes;

q) ensure that none of the Project Buildings (as defined in Annex 1) are sold, transferred, leased, privatized or otherwise disposed (whether in a single transaction or in a series of transactions, related or otherwise) to a non-public entity during a period of 12 years from the date of this Grant Agreement;

r) it shall not, and shall not authorize or permit any of its officers, directors, authorized employees, affiliates, agents or representatives including the MDF to engage in, with respect to the Project or any transaction contemplated by this Grant Agreement, any Prohibited Practice (as defined below);

s) it shall use its best effort to monitor and counteract any perceived Prohibited Practice engaged in by the MDF, the Final Beneficiary, any consultants, suppliers and/or other partners taking part in the implementation of the Project:

5.2 For the purpose of this Grant Agreement and the above points r) and s) of Section 5.1 "**Prohibited Practice**" shall mean one or more of the following:

"**abuse**" meaning theft, misappropriation, waste or improper use of property or assets related to the Project, either committed intentionally or through reckless disregard;

"**coercion**" meaning impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party for the purpose of improperly influencing the actions of a party;

"**collusion**" meaning an arrangement between two or more parties designed to achieve an improper purpose, including for the purpose of improperly influencing the actions of another party;

"**corruption**" meaning the promise, offering, giving, receiving, or soliciting, directly or indirectly, anything of value or any undue advantage, or any act or omission that involves the abuse of authority or functions, for the purpose of influencing or causing to influence improperly the actions of another party, or for the purpose of obtaining an undue advantage for oneself or for another party;

"**fraud**" meaning any act or omission, including misrepresentation or concealing a material fact, that knowingly or recklessly misleads, or attempts to mislead, a party for the purpose of obtaining a financial or other benefit or undue advantage for oneself or for a third party, or to avoid an obligation;

"**obstruction**" meaning:

(i) deliberately destroying, falsifying, altering or concealing evidence material to an investigation;

(ii) making false statements to investigators in order to materially impede an investigation;

(iii) failing to comply with requests to provide information, documents or records in connection with an investigation;

(iv) threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to a NEFCO investigation or from pursuing an investigation; or

(v) materially impeding NEFCO's contractual rights of audit or inspection or access to information;

"**money laundering**" meaning:

i) the conversion or transfer of property, knowing that such property is derived from criminal activity, to conceal and disguise the illicit origin of the property, or assisting any person who is involved in the commission of such activity to evade the legal consequences of this action;

(ii) the concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing such property is derived from criminal activity;

(iii) the acquisition, possession or use of property knowing, at the time of receipt, that such property was derived from criminal activity; or

(iv) participation or assistance in any of the activities above; and

"**financing of terrorism**" meaning the provision or collection of funds, by any means, directly or indirectly, with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out terrorist activities (the "terrorist activities" shall have the same meaning as set out in Article 2 of the International Convention for the Suppression of the Financing of Terrorism).

SECTION 6. PROCUREMENT

6.1 The Grantee shall be fully responsible towards NEFCO for all aspects of any procurement related to the Project. The Grantee shall ensure that any such procurement is carried out in accordance with NEFCO's Procurement Policy and Procedures applicable at the time of the Parties' signing of this Grant Agreement and published on NEFCO's website.

6.2 In particular the Grantee shall ensure that contracts are only awarded to providers offering best value for money, are in compliance with sound principles of transparency and equal treatment of potential consultants, contractors and/or suppliers and that specific care is being taken so as to avoid any conflicts of interest.

6.3 As part of its general monitoring and oversight with the Project related procurement, or as a result of a specific complaint or finding, NEFCO shall be entitled to review any procurement documents and decisions to be carried out as a result of the procurement in order to verify compliance with NEFCO's Procurement Policy and Procedures and to ensure that the related contracts are acceptable to NEFCO.

6.4 Any contracts for the provision of services, goods or works for the implementation of the Project shall be made between the Grantee or the MDF and the consultant, contractor or supplier.

6.5 The Grantee or the parties authorized to represent the Grantee shall take reasonable measures to ensure that potential tenderers shall be excluded from the participation in the procurement or award procedure financed by resources of the Grant, if they are bankrupt or being wound up, are having their affairs administered by the court, have entered into an arrangement with creditors, have suspended business activities, are the subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations or are subject to sanctions imposed by the European Union or the United Nations Security Council, or the United States of America or any of its states or any International Financial Institution or other sanctions authority as NEFCO deems relevant.

SECTION 7. SUSPENSION AND CANCELLATION; REPAYMENT; TERMINATION

7.1 NEFCO shall have the right, in its sole discretion, to suspend disbursements of the Grant, cancel the Grant, request repayment of the Grant and/or terminate this Grant Agreement, in whole or in part, by sending a written notice to this effect to the Grantee if:

(a) the Grantee and/or the MDF and/or the Final Beneficiary fail to observe or perform any representation, warrant, undertaking, covenant or any other obligation under this Grant Agreement, the Loan Agreement, the Project Agreement, the Agreement on the Project Execution Authority or the Investment Financing Agreement as relevant, and such failure continues for a period of thirty (30) days after NEFCO has notified the Grantee of such failure;

(b) any information given by the Grantee in connection with the execution and delivery of this Grant Agreement, or in connection with any Disbursement Request, is found to be incorrect in any material respect;

(c) in NEFCO's reasonable opinion, it becomes improbable, for any reason, that the Project can be implemented substantially as contemplated in the Project Description (Annex 1);

(d) it becomes apparent, in the reasonable opinion of NEFCO, that the Grantee, the MDF, the Final Beneficiary, a consultant or a supplier or other partner (if any) involved in the Project has engaged in any Prohibited Practice;

(e) it becomes unlawful for NEFCO to give effect to any of its obligations as contemplated under this Grant Agreement or to maintain the Grant, or if the Grantee, MDF or the Final Beneficiary, or any of their representatives, become subject to sanctions imposed by the European Union or the United Nations Security Council or the United States of America or any of its states or any International Financial Institution or other sanctions authority as NEFCO deems relevant; or

(f) a political, security, social or similar situation shall occur, which in the reasonable opinion of NEFCO: (i) has a material adverse effect on the probability of the Grantee observing and performing any of its respective obligations under this Grant Agreement and/or any document related to the Project, or (ii) has a material adverse effect on the recognition of the validity, legality, enforceability or binding nature of this Grant Agreement or the rights, remedies and priorities of NEFCO under this Grant Agreement.

7.2 The right of the Grantee to make drawdowns under the Grant shall continue to be suspended, in whole or in part, as the case may be, until the event or events which gave rise to the suspension shall have ceased to exist, or until NEFCO shall have notified the Grantee that the right to make drawdowns has been restored, in whole or in part.

7.3 In the event that the Grantee's right to make drawdowns shall have been suspended with respect to any amount for a continuous period of thirty (30) calendar days, then NEFCO may, by written notice to the Grantee, terminate the Grantee's right to drawdown such amount and any further amount(s). Upon giving this notice, such amount and any further amount(s) of the Grant, as relevant, shall automatically be cancelled. NEFCO may, at its sole discretion, agree to prolong the thirty (30) days' period to allow the Grantee more time to remedy the situation.

7.4 If at any time it appears that there has been a misappropriation by the Grantee or the MDF of funds disbursed under the Grant or the Grantee or the MDF has been engaged in any Prohibited Practice or other wilful misconduct, NEFCO may terminate this Grant Agreement and require that the Grantee forthwith repay any proceeds already disbursed under the Grant. In addition, NEFCO may require that the Grantee reimburse NEFCO for any direct costs incurred in connection with the collection of such amounts.

SECTION 8. INDEMNIFICATION

The Grantee assumes full liability for, and agrees to and shall indemnify and hold harmless NEFCO and its employees against and from any and all liabilities, obligations, losses, damages, penalties, claims, actions, taxes, duties, suits, reasonable costs and expenses of whatsoever kind and nature, and which in any way relate to or arise out of, whether directly or indirectly:

(1) any of the transactions contemplated under this Grant Agreement or the execution, delivery or performance thereof; and/or

(2) the exercise by NEFCO of any of its rights and remedies under this Grant Agreement;

provided that NEFCO shall not have any right to be indemnified hereunder for its own gross negligence or wilful misconduct.

SECTION 9. ENTRY INTO FORCE; DISPUTE RESOLUTION

9.1 This Grant Agreement shall be signed by both Parties and take effect on the date of receipt by NEFCO of notification of the Grantee on the fulfilment of internal procedures, including ratification, necessary for entry into force of this Grant Agreement and the Loan Agreement. NEFCO shall communicate to the Grantee the date of entry into force of this Grant Agreement.

This Grant Agreement shall remain in effect until the date upon which all obligations of the Parties have been unconditionally and irrevocably discharged in full to NEFCO's satisfaction in accordance with the terms and conditions of this Grant Agreement, unless otherwise agreed by the Parties in writing.

9.2 No delay in exercising, or omission to exercise, any right, power or remedy accruing to either Party under this Grant Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such Party in respect of any other or subsequent default.

9.3 The Parties to this Grant Agreement shall endeavour to settle amicably any dispute or controversy between them arising out of this Grant Agreement or the breach, termination or invalidity thereof or otherwise in connection therewith. To this end, at the initiative of either Party, the other Party shall meet promptly with the initiating Party to discuss any such dispute or controversy and, if requested by the initiating Party in writing, shall reply in writing to any written submission made by the initiating Party concerning any such dispute or controversy.

9.4 If any such dispute or controversy, or any claim relating thereto, cannot be amicably settled as provided for in Section 9.3 within sixty (60) calendar days of the date on which the request for a meeting is made as referred to in Section 9.3, such dispute or controversy, or claim relating thereto shall be settled by arbitration in accordance with the UNCITRAL Arbitration Rules in force as at the date of this Grant Agreement, subject to the following:

a) The number of arbitrators shall be three (3).

b) The appointing authority for the purposes of the UNCITRAL Arbitration Rules shall be the Secretary-General of the Permanent Court of Arbitration.

c) The place of arbitration shall be The Hague.

d) The language to be used in the arbitral proceedings shall be English.

e) The law to be applied by the arbitral tribunal shall be public international law.

f) Notwithstanding the provisions of the UNCITRAL Arbitration Rules, the arbitral tribunal shall not be authorised to take any interim measures of protection or provide any pre-award relief against the Parties and neither Party may address to any judicial authority a request for any interim measures of protection or pre-award relief against the other Party.

g) The arbitral tribunal shall have authority to consider and include in any proceeding, decision or award, any dispute, controversy or claim properly brought before it by the Parties, insofar as such dispute or controversy arises out of this Grant Agreement; but, subject to the foregoing, no other parties or other disputes shall be included in, or consolidated with, the arbitral proceedings.

SECTION 10. MISCELLANEOUS

10.1 The Grantee may not, without NEFCO's prior written consent, assign or transfer any of its rights, benefits or obligations under this Grant Agreement.

10.2 In the event that any specific provision of this Grant Agreement is or shall become void or unenforceable, all the other provisions of this Grant Agreement shall remain in full force and effect.

10.3 Amendments and additions maybe introduced to this Grant Agreement upon mutual consent of the Parties, which shall be formed as a separate document signed by the Parties and enter into force upon the date of receipt by NEFCO of notification of the Grantee on the fulfilment of the internal procedures necessary for entry into force of such amendments and additions. NEFCO shall communicate to the Grantee the date of entry into force of such amendments and additions. The documents formed thereby, shall constitute an integral part of this Agreement.

10.4 The headings used in this Grant Agreement are inserted for reference purposes only and are not to be considered or taken into account in construing the terms and provisions of any article nor to be deemed in any way to qualify, modify, or explain the effects of any such provisions or terms.

10.5 Nothing in this Grant Agreement shall be construed as a waiver, renunciation or other modification of any immunities, privileges or exemptions accorded to NEFCO pursuant to the Agreement of 6 November 1998 between Denmark, Finland, Iceland, Norway and Sweden concerning NEFCO (as from time to time supplemented and/or amended), the Framework Agreement between Georgia and NEFCO dated 25 February 2014 (as ratified by the Parliament of Georgia on 4 April 2014), any other international convention or any applicable law. Notwithstanding the foregoing, NEFCO has made an express submission to arbitration under Section 9.4 and accordingly, and without prejudice to its other privileges and immunities (including, without limitation, the inviolability of its archives), it acknowledges that it does not have immunity from suit and legal process in respect of the enforcement of an arbitral award duly made against it as a result of its express submission to arbitration pursuant to Section 9.4.

SECTION 11. NOTICES AND REQUESTS

Any notice, request or other communication to be given or made under or in connection with this Grant Agreement shall be in writing. A notice, request or other communication may be delivered by hand, email, post or courier service to the Party's address specified below or at such other address as such Party notifies to the other Party from time to time and will be effective upon receipt or, in the case of delivery by hand, by post or by established courier service, upon delivery or refusal to accept delivery. Any notice expressly required under this Agreement shall, if given by email, promptly be confirmed by a letter to be delivered by post or established courier service.

For NEFCO:

Nordic Environment Finance Corporation
Fabianinkatu 34, FI-00100 Helsinki
P.O. Box 241, FI-00171 Helsinki
Finland
Attention: Managing Director, Investment Director Bo Eske Nyhus
Telephone: +358 10 618 003
Email: reporting@nefco.int, Bo.Nyhus@nefco.int

For the Grantee:
Georgia
Ministry of Finance of Georgia
16 V. Gorgasali Street, 0114 Tbilisi, Georgia
Attention: Public Debt Management Department
Telephone: (+99532)2261450
Email: publicdebt@mof.ge

SECTION 12. ANNEXES; LANGUAGE AND COPIES

12.1 The Annexes listed below form an integral part of this Grant Agreement.

Annex 1:	Project Description
Annex 2:	Form of Disbursement Request
Annex 3:	Form of Certificate of Incumbency and Authority

12.2 Unless NEFCO shall otherwise agree, each document, certificate, statement, report, accounts, and other written material referred to in this Grant Agreement shall be in the English language or be accompanied by a duly certified English translation thereof. If requested by NEFCO, such translation shall be made by an authorized translator.

12.3 This Grant Agreement has been executed in the English language in two (2) original counterparts each having equal legal force.

IN WITNESS WHEREOF the Parties hereto, acting through their duly authorized representatives, have caused this Grant Agreement to be signed.

For **GEORGIA**

By:

Lasha Khutsishvili
Minister of Finance

For **NORDIC ENVIRONMENT FINANCE CORPORATION**

By:

Trond Moe
Managing Director

By:

Bo Eske Nyhus
Investment Director

ANNEX 1

PROJECT DESCRIPTION

The overall objective of the Project is twofold – to reduce the environmental footprint from operating the project buildings and to improve the platform for social development and specifically the conditions of learning for school children in selected remote mountainous regions of Georgia. The means to reach this objective is via full rehabilitation and/or reconstruction of schools in those regions.

The full rehabilitation and/or reconstruction of existing schools will consist of two components – a structural component and an energy efficiency component to be implemented in all the selected school buildings, depending on the specific need of each particular building. The structural component may, in addition to works on the building's envelope, also include issues such as landscaping and similar measures at adjacent areas. The aim of the energy efficiency measures to be included in all buildings is to obtain a min of 30% calculated energy efficiency (reduction in energy demand) as measured in KWh and compared to the building's baseline.

The Project and the scope of the Project are based on the Feasibility Study "Energy Efficiency Demonstration Project in Public Buildings Located in Mountainous Settlements of Georgia", dated 4 October 2020.

The total investment sum of the Project is budgeted for EUR 6,500,000. The sources of financing are as follows: a loan from NEFCO up to EUR 3,900,000 and an investment grant from E5P of up to EUR 2,600,000. VAT and Project overrun costs, if any, are to be borne by the Ministry of Finance as the Borrower/Grantee.

The Municipal Development Fund of Georgia (MDF), selected by the Borrower as the Project Implementation Unit, will be responsible for the Project's correct and efficient implementation according to NEFCO's Procurement Policy and will be financed and staffed sufficiently to fulfil this task.

The pre-selected Project Buildings may be replaced by other buildings if separately agreed between NEFCO, the Borrower/Grantee and/or MDF. The list of project buildings shall be documented in the Project Agreement to be entered into between NEFCO and MDF.

A detailed Project Description, including guidance for the Project implementation and for successive monitoring of the results, is developed and is included in the Project Agreement.

The overall objective and the targeted outcomes of the Project cannot be changed without the prior written consent from EBRD as fund manager for E5P.

ANNEX 2

FORM OF DISBURSEMENT REQUEST
[*LETTERHEAD of MDF*]

Nordic Environment Finance Corporation
Fabinianinkatu 34, FI-00100 Helsinki
Finland

Attention: Investment Manager Bo Eske Nyhus

From: Municipal Development Fund of Georgia
Aghmashenebeli Av. 150, Tbilisi, Georgia

Date [•]

Re.: Disbursement Request under Grant Agreement NEFCO-2020-149, dated [•]

1. We refer to the above Grant Agreement between Georgia (represented by the Ministry of Finance) (the "**Grantee**") and the Nordic Environment Finance Corporation ("**NEFCO**"). The terms defined in the Grant Agreement shall have the meaning ascribed to them in the Grant Agreement whenever used in this Disbursement Request.

2. MDF as authorised by the Grantee irrevocably requests the following disbursement, in accordance with the terms and conditions of the Grant Agreement:

Sub-project: [ ]

Disbursement Request no. [•]

Currency and amount: [*insert currency and amount in numbers*] [*in letters*]

Requested Disbursement Date [*insert the requested date of Disbursement*]

If the requested Disbursement Date is less than ten (10) Business Days after the date NEFCO receives this request, NEFCO may effect payment at a later date which is two (2) Business Days after the acceptance of the Disbursement Request.

The original of the Disbursement Request together with the supporting documentation has been forwarded to you by airmail.

3. The payment instructions are as follows:

Account Holder: [LEPL Municipal Development Fund]
Account Bank: [NATIONAL BANK OF GEORGIA, TBILISI]
IBAN-Account: [*insert the [IBAN-]account number*]
Account Bank's SWIFT/BIC code: [BNLNGE22]

Correspondent Bank: *[name and address]*
Correspondent Bank's SWIFT/BIC code: *[insert the code]*
Account: *[insert the account number]*

Following information shall be included in the wire transfer instructions: Code: [ ]

4. MDF as authorised by the Grantee hereby confirms (i) that the representations and warranties set out in the Grant Agreement are true and accurate in all respects at the Disbursement Date; (ii) that all other undertakings made by the Grantee under the Grant Agreement have been fulfilled; (iii) that no event of default and suspension (as defined in the Grant Agreement) has occurred at the Disbursement Date; (iv) that the aggregate amount requested for disbursement and disbursed under this Grant Agreement shall not at the Disbursement Date exceed the aggregate amount disbursed under the Loan Agreement; (v) that MDF as authorised by the Grantee, before the disbursement, has used, for the purposes of the relevant Sub-project the material part of the previously disbursed funds; and (vi) that all of the conditions precedent for disbursement under the Grant Agreement are and remain fulfilled as of the Disbursement Date and shall continue to be effective as of such date. If this certification, in whole or in part is no longer valid, as of or prior to the Disbursement Date, MDF as authorised by the Grantee undertakes to immediately notify NEFCO.

5. Please find attached the documentation evidencing that all relevant conditions precedent are fulfilled.

Yours sincerely,

On behalf of MDF

By: __________________________ [name (Title)]
Signature of Authorized Representative

By: __________________________ [name (Title)]
Signature of Authorized Representative

FORM OF CERTIFICATE OF INCUMBENCY AND AUTHORITY
[GRANTEE'S LETTERHEAD]

Nordic Environment Finance Corporation
P.O.Box 241, FI-00171 Helsinki
Fabianinkatu 34, FI-00100 Helsinki
Finland

Attention: Investment Director Bo Eske Nyhus

Date [ ]

Re. Certificate of Incumbency and Authority

With reference to the Grant Agreement (NEFCO-2020-149) dated [•] 2021 (the **"Grant Agreement"**) between Georgia (the **"Grantee"**) and Nordic Environment Finance Corporation (**"NEFCO"**), I, the undersigned Minister of Finance of Georgia, duly authorized to do so, hereby certify that the following are the names, offices and true specimen signatures of the persons each of whom are, and will continue to be, authorized:

(a) to sign on behalf of the Grantee the requests for Disbursement of funds provided for under the Grant Agreement; and

(b) to sign the certifications provided for in the Grant Agreement;

[Name]
[Title] ______________________________
Municipal Development Fund of Georgia

[Name]
[Title] ______________________________
Municipal Development Fund of Georgia

Each Disbursement Request and certification is to be signed jointly by both officials from this list.

You may assume that any such person continues to be so authorized until you receive authorized written notice from the Grantee that they, or any of them, is no longer so authorized.

Confirmed by the Minister of Finance of Georgia

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