

GRANT AGREEMENT

BETWEEN

THE NORWEGIAN MINISTRY OF FOREIGN AFFAIRS

AND

NORWEGIAN WATER RESOURCES AND ENERGY
DIRECTORATE

REGARDING

GEO-17/0003 Institutional Cooperation between Georgian Ministry of
Energy and Georgian Ministry of Environment and National Resources
Protection and Norwegian Water Resources and Energy Directorate

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THIS AGREEMENT (the Agreement) is entered into between the Norwegian Ministry of Foreign Affairs (MFA) and the Norwegian Water Resources and Energy Directorate (NVE) (jointly referred to as the Parties).

WHEREAS Norway and Georgia since 2011 have cooperated in the area of water resources,

WHEREAS MFA has provided financial support to the projects GEO-12/0003 and GEO-13/0004 on institutional cooperation between the Ministry of Energy and Natural Resources of Georgia and NVE,

WHEREAS NVE in letters dated 31 March and 09 June 2017 has requested Norway for continued support to institutional cooperation between GEORGIAN MINISTRY OF ENERGY and GEORGIAN MINISTRY OF ENVIRONMENT AND NATIONAL RESOURCES PROTECTION AND NORWEGIAN WATER RESOURCES AND ENERGY DIRECTORATE (NVE) and MFA has decided to comply with the request;

NOW THEREFORE the Parties have agreed as follows:

1 SCOPE AND OBJECTIVES

1.1 This Agreement, including all annexes, sets forth the terms and procedures for MFA's financial support to the project titled "GEO-17/0003 Institutional cooperation between GEORGIAN MINISTRY OF ENERGY and GEORGIAN MINISTRY OF ENVIRONMENT AND NATIONAL RESOURCES PROTECTION AND NVE (the Project). The Project is further described in the Application documents, dated 31 March and 9 June 2017 (Application), referred to for information purposes only. The estimated costs of the Project are indicated in the budget attached as Annex A.

1.2 The Parties expect the Project to be implemented between 1 January 2017 and 31 December 2019 (the Support Period).

1.3 The expected results of the Project are as follows:

The planned effect(s) on society (Impact) is: Improved utilization of Georgia's renewable energy resources for economic development of the country.

The planned effects for the target group of the Project (Outcome) are:

- Relevant data and technical capacity for a rational planning and development of the country's renewable energy resources is established
- Renewable Energy Law is drafted.

1.4 The full results framework is as set out in Annex B.

1.5 Any significant deviations from or changes to the Application or approved implementation plans or budgets are subject to written agreement between the Parties.



2 REPRESENTATION AND COMMUNICATION

All communication to MFA regarding this Agreement shall be directed to:

The Section for Russia, Eurasia and Regional Cooperation of MFA

Postboks 8114 Dep.

N-0032 OSLO

Seksjon.for.Russland.Eurasia.og.regionalt.samarbeid@mfa.no

- 2.1 The International section is competent to act on behalf of NVE. All communication to NVE regarding this Agreement shall be directed to:

The International section, Norwegian Water Resources and Energy Directorate

P.O.Box 5091 Majorstuen

N-0301 Oslo

mbj@nve.no

- 2.2 The Parties may give notice of other contact information to replace the above.
- 2.3 MFA's agreement number and agreement title shall be stated in all correspondence regarding this Agreement, including disbursement requests and repayment of unused funds.

3 PROJECT IMPLEMENTATION

- 3.1 The Parties shall cooperate to ensure achievement of the expected results of the Project. The Parties shall immediately inform each other of any circumstances likely to hamper or delay the implementation of the Project.
- 3.2 NVE shall have the overall responsibility for planning, implementing, reporting and monitoring of the Project, and shall:
- a) implement the Project in accordance with the Agreement and the latest agreed Application, including implementation plan and budget;
 - b) exercise the necessary diligence, efficiency and transparency in line with best practise principles;
 - c) ensure sound financial management of the Project, including that all Project funds are satisfactorily accounted for;
 - d) make available qualified personnel and other resources that may be required for the implementation of the Project
 - e) keep MFA informed of any plans for major organisational changes;
 - f) be solely responsible for any adverse effects of the Project;
 - g) identify, assess and mitigate any relevant risks associated with the implementation of the Project, including the risk of corruption and other financial irregularities, and any potential negative effects that the Project may have on the environment and climate, gender equality and human rights;

- 3.3 NVE is responsible for all payments, statements and reports required by any Norwegian authority in connection with the discharge of its operations and the implementation of the Project. The same applies to any requirements of reporting and registration to public registers.
- 3.4 NVE shall remain responsible towards MFA for any part of the financial grant from MFA which is transferred to project partners. Transfer of all or part of the Grant to a cooperating partner shall be documented through written agreements. The agreement shall specify that the cooperating partner is required to comply with the provisions of this Agreement and to cooperate with NVE to ensure that NVE is able to fulfil its obligations hereunder.

4 THE GRANT

- 4.1 MFA shall, subject to Norwegian parliamentary appropriations, provide a financial grant not exceeding NOK 30 834 000-, (Norwegian KronerThirtyMillionEighthHundredandThirthyFourThousand) (the Grant).
- 4.2 The Grant shall be used exclusively to finance the actual costs of the implementation of the Project during the Support Period.
- 4.3 MFA's support to the Project shall be acknowledged in all publications and other materials issued in relation to the Project. MFA's logotype will be provided by MFA upon request. All use of MFA's logotype must be approved by MFA.

5 DISBURSEMENTS

- 5.1 The Grant shall be disbursed in instalments in arrears based on expenses already incurred in the Project for the previous period in question. The first disbursement shall include approved Project expenses incurred prior to the signing of this Agreement. The following disbursements shall be made upon MFA's receipt of invoices from NVE. The invoices shall specify expenses incurred during the preceding period and shall confirm that the invoiced expenses are in accordance with the Agreement. The invoices shall be certified by the chief financial officer of NVE.
- 5.2 Copies of time sheets and other supporting documentation shall be submitted along with the invoice. In respect of travels, the invoices shall provide names of persons, duration and purpose for each trip in addition to the total costs
- 5.3 Disbursement of any part of the Grant that is to be forwarded from NVE to project partners may be disbursed in advance based on the financial need for the upcoming period, which shall not exceed six months. Financial need refers to the budgeted expenditures for the upcoming period, less any funds available to the Project from all other sources during the same period.
- 5.4 All disbursements are conditional upon continued compliance with the requirements in the Agreement, including the timely fulfilment of reporting obligations.
- 5.5 All disbursements will be made in NOK to the following Norwegian bank account:

Name of the account:	Norges vassdrags- og energidirektorat
Account no.:	7694.05.08971
IBAN no.:	NO9776940508971
Name and address of the bank:	DNB
Swift/BIC code:	DNBANOKK
Currency of the account:	NOK

- 5.6 All disbursements are conditional upon continued compliance with the requirements in the Agreement, including the timely fulfilment of reporting obligations.
- 5.7 NVE shall immediately acknowledge receipt of the funds in writing.

6 IMPLEMENTATION PLAN AND BUDGET

- 6.1 An updated implementation plan and budget covering the period from January to December shall be submitted to MFA for approval by 15 February each year, first time in 2018. The implementation plan and budget shall be signed by an authorised representative of NVE.
- 6.2 The implementation plan shall be directly related to the results framework and shall specify planned activities and outputs as well as time schedules for the upcoming reporting period.
- 6.3 The updated budget shall be based on the approved budget in Annex A and include estimated income to the Project from all sources as well as planned expenditures for the upcoming period. The estimated financial need of the Project in the upcoming reporting period shall be clearly stated.

7 REPORTING ON RESULTS

- 7.1 The first progress report covering all project activities in 2017 shall be submitted to MFA by 15 February 2018. For the following years progress reports shall be submitted to MFA by 1 September 2018 and 1 September 2019. The progress reports shall describe the results achieved by the Project during the reporting period and shall be set up in a way that allows direct comparison with the latest approved Application, implementation plan and budget. It shall be signed by an authorised representative of NVE.
- 7.2 The progress reports shall, as a minimum, include:
- a) an account of the results achieved so far by the Project, using the format, indicators and targets of the approved results framework. The overview must:
 - show delivered outputs compared to planned outputs;
 - show the Project's progress towards achieving the Outcome;
 - if possible, describe the likelihood of the Impact being achieved.
 - b) an account and assessment of any deviations from the latest approved implementation plan and Application;
 - c) an assessment of how efficiently Project resources have been turned into outputs;
 - d) a brief account of materialised risk factors to the Project and how they were handled in the reporting period and/or will be handled going forward. Identified risks related to the climate and environment, gender equality, corruption and other financial mismanagement and human rights shall always be accounted for.



8 FINANCIAL REPORTS

- 8.1 A financial report covering the period from January to December shall be submitted to MFA for approval by 15 February each year. The final financial report shall cover the entire Support Period and shall be submitted along with the final report referred to in article 10.
- 8.2 The financial reports shall comprise financial statements with a comparison to the latest approved budget for the reporting period, as well as an explanation of any deviations from the budget as per article 8 clause 4 below. It shall be certified by the financial controller of the NVE.
- 8.3 The financial statements shall be set up in a way that allows for direct comparison with the latest approved budget, using the same currency and budget line items. They shall, as a minimum, include:
- a) the accounting principles applied;
 - b) income from all sources, including bank interest. MFA's contribution shall be specified;
 - c) expenses charged/capitalised in the relevant reporting period;
 - d) expenses charged/capitalised from start-up of the Project to the end of the reporting period;
 - e) unused funds as per the reporting date;
 - f) balance sheet, when required in accordance with the accounting principles applied;
 - g) explanatory notes including a description of the accounting policies used and any other explanatory material necessary for transparent financial reporting of the Project.
- 8.4 Discrepancies between the approved budget and the expenses charged/capitalised shall be highlighted with information on both nominal amounts and percentage of each deviation. NVE shall include a written explanation of any deviations amounting to more than 10 % from a budget line.

9 AUDIT

NVE is subject to the general audit arrangements of the Norwegian Auditor General. If any part of the grant is transferred to a cooperating partner, the Norwegian Institution shall request an audit covering the financial statements of such funds. The audit shall be performed by an independent chartered/certified public accountant (auditor) acceptable to MFA. International audit standards such as International Standards of Auditing (ISA), or equivalent shall be applied.

10 FINAL REPORT

- 10.1 A final report for the Support Period shall be submitted to MFA for approval within 3 months after the end of the Support Period. The final report shall be set up in a way that allows for a direct comparison with the Application and shall be signed by an authorised representative of NVE.
- 10.2 The final report shall, as a minimum, include:
- a) the items listed for the progress reports described in article 8, covering the entire Support Period;
 - b) an assessment of the Project's effect on society (Impact);
 - c) a description of the main lessons learned from the Project;
 - d) an assessment of the sustainability of the results achieved by the Project.

11 FORMAL MEETINGS

- 11.1 The Parties shall hold formal meetings once per year, tentatively by 30 May in order to discuss i.a. the results achieved by the Project during the Support Period. The meetings shall be called and chaired by NVE.
- 11.2 The Parties shall discuss the latest progress report and financial report, as well as the implementation plan and budget for the upcoming period, unless otherwise agreed. In the event that such reports have not been received at least 3 weeks before the meeting, the Parties shall agree upon a new date to hold the meeting.
- 11.3 NVE shall record main issues discussed, points of view expressed and decisions made, in minutes from the meetings. NVE shall draft the minutes and submit them to MFA no later than two weeks after the meetings for any comments. The agreed minutes shall be signed by both Parties.
- 11.4 The Parties may invite others to participate as observers or advisers to their delegations. The Parties shall notify each other in advance of any external participants and their role in the meetings.

12 REVIEWS AND OTHER FOLLOW-UP MEASURES

- 12.1 An end review focusing on results achieved by the Project shall be carried out tentatively in May 2020 or later if the project period is extended. NVE shall draft the terms of reference for the review and submit them to the other Party for approval. The costs of the review shall be covered by MFA over and above the Grant.
- 12.2 If NVE or another interested party initiates a review or evaluation of activities wholly or partly funded by the Grant, MFA shall be informed. NVE shall forward a copy of the report of any such review or evaluation to MFA without undue delay.

13 PROCUREMENT

- 13.1 All procurement to be undertaken by NVE shall be completed in accordance with applicable Norwegian legislation and regulations on public procurement.
- 13.2 All procurement to be undertaken by Project partners shall be completed in accordance with the procurement provisions included as Annex C to this Agreement as well as any statutory requirements applicable in the relevant jurisdiction.

14 PROJECT ASSETS

- 14.1 Ownership to all equipment, consumables and intellectual property rights procured or developed by use of the Grant shall be transferred to the project partners, unless otherwise described in the Application.



- 14.2 NVE shall in its cooperating contracts with project partners specify the matters related to equipment, consumables and intellectual property rights shall be the responsibility of the project partners and that the project partners shall accept the provisions of this Agreement with respect to equipment, consumables and intellectual property rights.
- 14.3 MFA shall have a non-exclusive and royalty-free license to use all intellectual property rights procured or developed by use of the Grant. MFA may assign this right to any individual or organisation at its own discretion.
- 14.4 Significant use of such equipment, consumables and intellectual property rights for purposes outside the Project shall be subject to MFA's prior approval.
- 14.5 Transfer of ownership of any equipment, consumables and/or intellectual property rights during the Support Period to a third party shall be executed in accordance with the national legislation of the project partners and be made at market terms. Ownership may not be transferred to an employee of a project partner, or anyone related to or connected with an employee, if such a relation could lead to a conflict of interest as described in article 15 clause 2.
- 14.6 Before a transfer is decided, the project partners, together with NVE, assess whether it may have an impact on the Project and, where appropriate, consult with MFA. Any income from a transfer shall accrue to the Project, and shall be reported in the financial statement of the Project.
- 14.7 NVE shall prepare records of transfer of ownership for any equipment, consumables and intellectual property rights. The records shall comprise information on the object of transfer, the original purchase price, price offers received, the final sales price and the name of the purchaser. The record shall be submitted to MFA along with the first progress report due after the sale.
- 14.8 The Grant may not be used to purchase or construct real property (land or buildings) unless specifically agreed upon between the Parties in writing.

15 CONFLICT OF INTEREST

- 15.1 The Parties shall take all necessary precautions to avoid any conflicts of interest in all matters related to the Project.
- 15.2 Conflict of interest refers to any situation where the impartial and objective exercise of the functions of anyone acting on behalf of the NVE or project partners is, or may be, compromised for reasons involving family, personal life, political or national affinity, economic interest or any other connection or shared interest with another person.
- 15.3 If a conflict of interest occur, the affected party shall, without delay, take all necessary measures to resolve the conflict, e.g. by replacing the person in question or by obtaining independent verification of the terms of the proposed decision or transaction.
- 15.4 If the conflict of interest cannot be resolved and if it relates to a decision or transaction of significance to the Project, the affected party shall immediately notify MFA and NVE. NVE and the respective project partner shall discuss in order to reach an understanding on the appropriate measures to be taken.

16 FINANCIAL IRREGULARITIES

16.1 The Parties shall practise zero tolerance towards financial irregularities within and related to the Project. The zero tolerance policy applies to all staff members, consultants and other non-staff personnel, contractor, implementing partners and beneficiaries of the Grant. NVE shall in its cooperating contracts with project partners specify the project partners. The project partners shall accept the provisions of this Agreement with respect to financial irregularities.

16.2 Financial irregularities refers to all kinds of:

- a) corruption, including bribery, nepotism and illegal gratuities;
- b) misappropriation of cash, inventory and all other kinds of assets;
- c) financial and non-financial fraudulent statements;
- d) all other use of Project funds not in accordance with the latest agreed Application, implementation plan and budget.

16.3 In order to fulfil the zero tolerance requirement, all parties involved in the Project shall:

- a) organise their operations and internal control systems in a way that financial irregularities are prevented and detected;
- b) cooperate fully to prevent, stop and handle financial irregularities within and related to the Project;
- c) require that all staff involved in, and any consultants, suppliers and contractors financed under the Project refrain from financial irregularities.

16.4 NVE and the project partners shall immediately inform MFA of any indication of financial irregularities and of the measures initiated to handle the situation.

16.5 NVE and the project partners shall cooperate fully with each other and with MFA in the investigations of such events.

16.6 NVE and the project partners shall, in cooperation with MFA, consider prosecution and/or other reasonable sanctions towards any person and/or legal entity suspected of financial irregularities within or in relation to the Project.

16.7 MFA may apply any measure as referred to in article 18 clauses 1 and 2, with immediate effect and irrespective of article 18 clause 3, if MFA determines that any financial irregularities have occurred. Any repayment claim may also include interest, investment income or any other financial gain obtained as a result of the financial irregularity.

17 VERIFICATION

17.1 In NVEs cooperating contracts shall NVE specify that representatives of Norway at all times shall have the right to carry out independent reviews, field visits, evaluations and other control measures to verify that the Grant has been used in accordance with this Agreement and the respective cooperating contract. The project partners shall facilitate such verification by providing all information and documents necessary to carry out the relevant initiative, as well as ensuring the unrestricted access of such representatives to any premises, records, goods and documents requested.

17.2 The rights and obligations of this article shall remain in force for five years following the end of the Support Period or after the termination of the Agreement, whichever occurs first..

18 RESERVATIONS

- 18.1 MFA reserves the right to withhold disbursements at any time in case NVE or project partners fails to fulfil its obligations under this Agreement and/or if there is suspicion of financial irregularities related to the Project.
- 18.2 MFA reserves the right to terminate the Agreement with immediate effect and/or claim repayment of all or parts of the Grant in the event of material breach of this Agreement or cooperating contracts by NVE or project partners. Material breach of the Agreement or cooperating contracts by NVE or project partners shall include, without limitation, the following:
- a) all or part of the Grant has not been used in accordance with the Agreement, a cooperating contract and/or approved implementation plans and budget,
 - b) the use of the Grant has not been satisfactorily accounted for,
 - c) agreed reports have not been provided, even after an extended deadline having been provided,
 - d) financial irregularities, grave professional misconduct or illegal activity of any form have taken place within the Project,
 - e) MFA has not been informed of indications of financial irregularities within the Project in accordance with article 16 above.
- 18.3 Before withholding disbursements, claiming repayment or terminating this Agreement, the Parties shall consult with a view to reaching a solution on the matter.

19 DURATION, AMENDMENT AND TERMINATION

- 19.1 The Agreement shall enter into force on the date of the last signature, and shall remain in force until all obligations arising from it have been fulfilled, or until it is terminated in accordance with this article or article 18. Whether the obligations shall be considered fulfilled, will be determined through consultations between the Parties and confirmed by MFA in a completion letter.
- 19.2 The Agreement may be amended. Any such amendment must be agreed upon in writing between the Parties and shall become an integral part of the Agreement.
- 19.3 Each Party may terminate the Agreement upon three months written notice. If the Project cannot continue without the financial support of MFA, the Norwegian Institution shall exert its best efforts to discontinue or scale down the Project promptly and in an orderly and financially sound manner.

20 RETURN OF INTEREST AND UNUSED FUNDS

- 20.1 Upon completion of the Support Period or upon termination of this Agreement, any unused funds that total more than NOK 500 shall be repaid to MFA as soon as possible and at the latest within 6 months. The repayment shall include any interest and other financial gain accrued on the Grant. This does not apply in case of termination where such funds have been irrevocably committed in a legally binding agreement entered into with any third parties prior to the receipt of the notice of termination.

20.2 Repayments shall be made to the following bank account:

Name of the account:	Norwegian Ministry of Foreign Affairs
Account no.:	7694 05 12 618
IBAN no.:	NO83 7694 0512 618
Name and address of the bank:	DnB ASA, 0021 Oslo, Norway
Swift/BIC code:	DNBANOK

20.3 The transaction shall be clearly marked: "Unused funds". The name of the Norwegian Institution shall be stated, along with the MFA's agreement number and agreement title.

21 DISPUTE RESOLUTION

21.1 Any dispute concerning this Agreement shall be settled by consultations between the Parties.

IN WITNESS WHEREOF the undersigned, acting on behalf of their respective Party, have signed the Agreement in two -2- originals in the English language, whereof the Parties keep one each. In the event of any discrepancies between this English language version and any later translations, the English language version shall prevail.

Place: OSLO

Date: 26.10. 2017



for the Norwegian Ministry of Foreign Affairs,

Helene Sand Andresen

Deputy Director

Section for Russia, Eurasia and Regional
Cooperation



for the Norwegian Water Resources and Energy
Directorate,

Per Sanderud

Director General

Attachments:

Annex A: Approved budget for the Project

Annex B: Results framework

Annex C: Procurement Provisions

