

LD 2026 (2019)

**FRAMEWORK LOAN AGREEMENT**

*between the*

**COUNCIL OF EUROPE DEVELOPMENT BANK**

*and*

*the* **REPUBLIC OF SERBIA**

*Water supply and waste water treatment facilities*

- Programme Loan -

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**COUNCIL OF EUROPE DEVELOPMENT BANK**, international organisation with its headquarters at 55, Avenue Kléber, F-75116 Paris (France) (hereinafter, the **“CEB”** or the **“Bank”**), on the one hand,

and

**The REPUBLIC OF SERBIA**, (hereinafter, the **“Borrower”** and together with the CEB, the **“Parties”** and each a **“Party”**), on the other hand,

**WHEREAS**

(A) Having regard to the loan application submitted by the Republic of Serbia through its Ministry of Finance on 14 October 2019, approved by the CEB’s Administrative Council on 21 November 2019.

(B) Having regard to the Third Protocol to the General Agreement on Privileges and Immunities of the Council of Europe dated 6 March 1959,

(C) Having regard to the CEB’s Loan Regulations, as adopted by the CEB’s Administrative Council Resolution 1587 (2016) (hereinafter, the **“Loan Regulations”**),

(D) Having regard to the CEB’s Loan and Project Financing Policy, as adopted by the CEB’s Administrative Council Resolution 1587 (2016) (hereinafter, the **“Loan Policy”**),

(E) Having regard to the CEB’s Environmental and Social Safeguards Policy, as adopted by the CEB’s Administrative Council Resolution 1588 (2016) (hereinafter, the **“Environmental and Social Safeguards Policy”**),

(F) Having regard to the CEB’s Procurement Guidelines, as adopted by the CEB’s Administrative Council in September 2011 (hereinafter, the **“Procurement Guidelines”**),

**HEREBY AGREE AS FOLLOWS:**

# INTERPRETATION

## Definitions

The following terms shall have the meaning indicated below, except as the context requires otherwise:

**“Agreement”** means this framework loan agreement, including its appendices.

**“Allocation”** means the commitment of a Tranche by the Borrower to the eligible component parts of the Programme even if such Tranche has not yet been paid out under the Programme.

**“Allocation Period”** has the meaning specified under Sub-clause 5.2.

**“Business Day”** means:

In relation to payments in Euro, any day on which TARGET 2 (the Trans European Automated Real-time Gross Settlement Express Transfer system) is operating.

**“Closing Date”** means the date set at 31 December 2026 (as also specified under Appendix 1 hereto) from which no further disbursements may be requested by the Borrower. Such date may be modified upon prior written consent of both Parties, by means of an exchange of letters.

**“Completion Report”** has the meaning specified under Sub-clause 6.1(b).

**“Currency”** means, for the purposes of the Agreement, Euro.

**“Day Count Convention”** means the convention for determining the number of days between two dates and the number of days in a year specified in the relevant Disbursement Notice.

**“Debt Instrument”** means (i) any loan or other form of financial indebtedness; (ii) an instrument, including any receipt or statement of account, evidencing or constituting an obligation to repay a loan, deposit, advance or similar extension of credit (including without limitation any extension of credit under a refinancing or rescheduling agreement), (iii) a bond, note, debt security, debenture or similar written evidence of financial indebtedness; or (iv) an instrument evidencing a guarantee of an obligation constituting financial indebtedness of another.

**“Default Interest Rate”** has the meaning specified under Sub-clause 4.9.

**“Disbursement Date”** means the date on which a Tranche is scheduled to be disbursed pursuant to the applicable Disbursement Notice.

**“Disbursement Notice”** has the meaning specified under Sub-clause 4.3(b).

**“Disbursement Request”** has the meaning specified under Sub-clause 4.3(a).

**“Early Reimbursement Confirmation”** has the meaning specified under Sub-clause 4.7.

**“Early Reimbursement Costs”** has the meaning specified under Sub-clause 4.7.

**“Early Reimbursement Date”** has the meaning specified under Sub-clause 4.7.

**“Early Reimbursement Notice”** has the meaning specified under Sub-clause 4.7.

**“Effective Date”** means the date of entry into force of the Agreement resulting from Clause 17.

**“EU”** means the European Union.

**“EURIBOR”** means the percentage rate *per annum* quoted on the page EURIBOR01 of the Thomson Reuters screen (or on a successor page which replaces the Thomson Reuters’ page EURIBOR01) at or about 11 a.m. Brussels time on the Interest Determination Date as the Euro interbank offered rate administrated by the European Money Market Institute (or any other entity which takes over the administration of that rate) for the same period as the relevant Interest Period.

If the relevant Interest Period is not the same as a period quoted by Thomson Reuters, the applicable EURIBOR shall be the percentage rate *per annum* resulting from a linear interpolation by reference to two (2) EURIBOR rates for Euro term deposits, one of which is applicable for a period of whole months next shorter and the other for a period of whole months next longer than the length of the relevant Interest Period.

**“Euro”** and the sign **“EUR”** means the lawful currency of the Member States of the EU which from time to time adopt it as their currency in accordance with the relevant provisions of the Treaty of the EU and the Treaty on the Functioning of the EU or their succeeding treaties.

**“European Convention on Human Rights”** means the Convention for the Protection of Human Rights and Fundamental Freedoms dated 4 November 1950, CETS No. 5, as amended from time to time.

**“European Social Charter”** means the European Social Charter dated 3 May 1996, CETS No. 163, as amended from time to time.

**“Final Beneficiaries”** are specified under Appendix 1 hereto as the group benefitting from the social effects of the Programme.

**“Fixed Interest Rate”** means the interest rate *per annum* specified in the applicable Disbursement Notice.

**“Floating Interest Rate”** means the interest rate *per annum* determined by adding or subtracting the Spread specified in the applicable Disbursement Notice to or from, as the case may be, the Reference Rate.

For the avoidance of doubt, when the determination of the Floating Interest Rate results in a negative interest rate (due to a quoted negative Reference Rate, to the operation of a Spread that is subtracted from the Reference Rate or to any other circumstances), the interest to be paid by the Borrower for the Interest Period shall be deemed to be zero.

**“Forecasted expenditure”** means the eligible costs planned to be incurred under the Programme over the period of one year from the date of the latest Progress Report.

**“Incurred expenditure”** means the eligible costs incurred under the Programme.

**“Interest Determination Date”** means, for the purposes of determination of a Floating Interest Rate, the day falling two (2) Business Days prior to the first day of the Interest Period, unless otherwise specified in the relevant Disbursement Notice.

**“Interest Payment Dates”** means the dates for the payment of interest corresponding to the relevant Interest Period specified in the applicable Disbursement Notice.

**“Interest Period”** means the period commencing on an Interest Payment Date and ending on the day immediately prior to the following Interest Payment Date, provided that the first Interest Period applicable to each Tranche shall commence on the Disbursement Date and end on the day immediately prior to the next Interest Payment Date.

**“Loan”** means the loan granted to the Borrower by the CEB by means of the Agreement.

**“Loan Amount”** means the amount specified under Sub-clause 4.1.

**“Market Disruption Event”** has the meaning specified under Sub-clause 4.10.

**“Material Adverse Change”** means any event which, in CEB’s opinion, (i) materially impairs the Borrower’s ability to perform its financial obligations under the Agreement; or (ii) adversely affects any Security provided by the Borrower or a third-party to secure the due performance of the Borrower’s financial obligations under the Agreement.

**“Maturity Date”** means the last Principal Repayment Date for each Tranche specified in the applicable Disbursement Notice.

**“Modified Following Business Day Convention”** means a convention whereby if a specified date would fall on a day which is not a Business Day, such date would be the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date would be the first preceding day that is a Business Day.

**“Principal Repayment Date(s)”** means the date(s) for the repayment(s) of principal under each Tranche specified in the applicable Disbursement Notice.

**“Principal Repayment Period”** means with respect of each Tranche the period running from its Disbursement Date to its Maturity Date.

**“Progress Report”** has the meaning specified under Sub-clause 6.1(a).

**“Prohibited Practices”** has the meaning specified under Sub-clause 5.8.

**“Programme”** means the eligible investment scheme set forth under Appendix 1 to be partially financed with the Loan approved by the CEB’s Administrative Council with ref. LD 2026.

**“Programme Implementing Entity”** (hereinafter, the **“PIE”**) means the legal entity that, by delegation of the Borrower, is in charge of the implementation of the Programme.

**“Reference Rate”** means EURIBOR for a Floating Interest Rate Tranche denominated in Euro.

**“Security”** means any agreement or arrangement creating a preferential rank, a preferential right of payment, a collateral or guarantee of any nature whatsoever which might confer enhanced rights upon third parties.

**“Spread”** means, in connection with a Floating Interest Rate Tranche, the fixed-spread to the Reference Rate (being either plus or minus) specified in basis points in the applicable Disbursement Notice.

**“Sub-programme”**means an eligible investment scheme to be financed under the Programme.

**“Tranche”** means an amount disbursed or to be disbursed under the Loan.

## Construction

Unless the context otherwise requires, references to:

1. this Agreement shall be construed as references to this Agreement as supplemented, amended or restated from time to time;
2. “Clauses”, “Sub-clauses” and “Recitals” shall be construed as references to clauses, sub‑clauses and recitals respectively of this Agreement; and
3. words importing the singular shall include the plural and vice-versa.

## Headings

Headings in this Agreement have no legal significance and do not affect its interpretation.

## Rounding

For the purposes of any calculations referred to in this Agreement:

1. all percentages resulting from such calculations other than those determined through the use of interpolation will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (*e.g.*, 9.876541% (or .09876541) being rounded down to 9.87654% (or .0987654) and 9.876545% (or .09876545) being rounded up to 9.87655% (or .0987655));
2. all percentages determined through the use of linear interpolation by reference to two (2) relevant Reference Rates will be rounded, if necessary, in accordance with the method set forth in subsection (a) above, but to the same degree of accuracy as the two (2) rates used to make the determination (except that such percentages will not be rounded to a lower degree of accuracy than the nearest one thousandth of a percentage point (0.001%)); and
3. all currency amounts used in or resulting from the above calculations will be rounded, unless otherwise specified in the relevant Currency definition, to the nearest two decimal places in the relevant currency (with .005 being rounded upwards (*e.g.*, .674 being rounded down to .67 and .675 being rounded up to .68).

# CONDITIONS

The Loan is granted under the general conditions of the Loan Regulations and under the special conditions of the Agreement.

# PURPOSE

The CEB grants the Loan to the Borrower, who accepts it, solely for the purpose of financing the Programme as described under Appendix 1 hereto.

The proceeds of the Loan cannot be used for the financing of taxes, customs and other duties.

Any change to the way the Loan is applied that has not received the CEB’s approval would constitute an event in the terms of Article 3.3 (h) of the Loan Regulations and may give rise to the early reimbursement, suspension or cancellation of the Loan under the terms of Articles 3.3 (*Early reimbursement of disbursed loans*), 3.5 (*Suspension by the Bank of undisbursed loans*) and 3.6 (*Cancellation by the Bank of undisbursed loans*) of the Loan Regulations.

# FINANCIAL CONDITIONS

## Loan Amount

The Loan Amount is:

TWO HUNDRED MILLION EUROS

EUR 200,000,000

## Disbursement Amount

The Loan shall be disbursed in a minimum of two (2) Tranches.

The amount of each Tranche, except for the first Tranche, shall be determined according to the Incurred Expenditure and Forecasted Expenditure. The amount of the first Tranche shall not exceed thirty per cent (30 %) of the Loan Amount.

## Disbursement Procedure

The disbursement of each Tranche is determined through the following procedure upon prior consultation with CEB:

1. Disbursement Request

Prior to each disbursement, the Borrower shall submit to the CEB a disbursement request substantially in the form set out under Appendix 3 hereto (hereinafter, a **“Disbursement Request”**).

A Disbursement Request shall specify the proposed:

1. Currency(ies) and amount(s) for the Tranche;
2. Disbursement Date; such Disbursement Date shall be a Business Day falling at least five (5) Business Days but not later than twenty (20) Business Days after the date of the Disbursement Request;
3. Principal Repayment Date(s), including the Maturity Date, taking into account that the Principal Repayment Period for each Tranche shall not exceed twenty (20) years including a grace period not greater than five (5) years;
4. Maximum Fixed Interest Rate or maximum Spread to the Reference Rate;
5. Interest Period and Interest Payment Dates;
6. Day Count Convention and Business Days; and
7. Borrower’s account for payments.

Each Disbursement Request delivered to the CEB shall be irrevocable, unless otherwise agreed in writing by the CEB.

1. Disbursement Notice

If the CEB receives a Disbursement Request that complies with the Disbursement Request requirements set out Sub-clause 4.3(a) above, and if all other relevant Disbursement Conditions as defined in Sub-clause 4.5 (*Disbursement Conditions*) below have been fulfilled by the Borrower, the CEB shall deliver to the Borrower a disbursement notice substantially in the form set out under Appendix 3 hereto (hereinafter, a **“Disbursement Notice”**). Each Disbursement Notice shall be delivered at least two (2) Business Days before the proposed Disbursement Date.

A Disbursement Notice shall specify:

1. Currency(ies) and amount(s) for the Tranche;
2. Disbursement Date;
3. Principal Repayment Period and Principal Repayment Date(s), including the Maturity Date;
4. Fixed Interest Rate or Spread to the Reference Rate;
5. Interest Period and Interest Payment Dates;
6. Day Count Convention and Business Days; and
7. Borrower’s and CEB’s accounts for payments.

A Disbursement Notice matching the elements included in a Disbursement Request shall constitute an irrevocable and unconditional commitment on the part of the Borrower to borrow from the CEB and on the part of the CEB to disburse to the Borrower the Tranche under the terms and conditions specified in the Disbursement Notice.

Notwithstanding the above, if the CEB has not delivered a Disbursement Notice within ten (10) Business Days following the receipt of a Disbursement Request, the relevant Disbursement Request shall be deemed cancelled.

## Disbursement Period

Unless otherwise agreed in writing by the CEB, the Borrower shall not be entitled to:

1. the issue of a Disbursement Request for the first Tranche beyond twelve (12) months after the Effective Date;
2. the issue of any further Disbursement Request beyond eighteen (18) months after the last disbursement; or
3. the issue of any further Disbursement Request beyond the Closing Date specified under Appendix 1 hereto.

## Disbursement Conditions

1. Conditions precedent to the Disbursement Request for the first Tranche:
2. Legal opinion in English issued by the Ministry of Justice of the Borrower confirming to the CEB’s satisfaction, substantially in the form set out under Appendix 2 hereto, that the Agreement has been duly executed by authorised representatives of the Borrower and that the Agreement is valid, binding and enforceable in accordance with its terms in the Borrower’s jurisdiction.
3. Evidence in English (*e.g.*, Statute, Power of Attorney, etc.) to the CEB’s satisfaction of the person(s) authorised to execute the Agreement and the Disbursement Requests on behalf of the Borrower, together with the authenticated specimen of the signature(s) of such person(s).
4. Conditions precedent to any further Disbursement Request:
5. In the event there has been a change regarding the person(s) authorised to execute Disbursement Requests on behalf of the Borrower, the Borrower shall provide CEB with updated evidence of the person(s) authorised to execute the corresponding Disbursement Requests on behalf of the Borrower, together with the authenticated specimen of the signature(s) of such person(s); and
6. Progress Report confirming to the CEB’s satisfaction the Allocation of at least ninety percent (90%) of the previous Tranche(s).

## Repayment

On any Principal Repayment Date, the Borrower shall repay the principal of each Tranche due on that Principal Repayment Date in accordance with the terms set forth in the applicable Disbursement Notice.

## Early Reimbursement

1. Mechanics

If in any event specified in this Agreement referring to this Sub-clause the Borrower ought to reimburse prior to maturity all or part of a Tranche or in the event of voluntary early reimbursement the Borrower shall give at least a two (2) months prior written notice to the CEB (hereinafter, the **“Early Reimbursement Notice”**) specifying the amounts to be reimbursed, the date on which the reimbursement will take place (hereinafter, the **“Early Reimbursement Date”**) and, upon prior consultation with the CEB, the maximum Early Reimbursement Costs. The Early Reimbursement Date shall fall on an Interest Payment Date, unless otherwise agreed in writing by the CEB.

Upon receipt of the Early Reimbursement Notice, the CEB shall send a written notice to the Borrower (hereinafter, the **“Early Reimbursement Confirmation”**), not later than fifteen (15) Business Days prior to the Reimbursement Date, indicating the accrued interest due thereon and the Early Reimbursement Costs in accordance with Sub-clause 4.7(b).

An Early Reimbursement Confirmation matching the elements included in an Early Reimbursement Notice shall constitute an irrevocable and unconditional commitment on the part of the Borrower to reimburse the relevant amounts to the CEB under the terms and conditions specified in the Early Reimbursement Confirmation. If the CEB has not delivered an Early Reimbursement Confirmation within the deadline specified above, the relevant Early Reimbursement Notice shall be deemed as cancelled.

If the Borrower partially reimburses a Tranche, the reimbursed amount shall be applied pro rata to each outstanding principal repayment. In such an event, the Early Reimbursement Confirmation shall accordingly include an adjusted repayment schedule which shall be binding on the Borrower.

1. Early Reimbursement Costs

The Early Reimbursement Costs resulting from early reimbursement in accordance with Sub-clause 4.7(a) shall be determined by the CEB on the basis of the costs to it of redeploying the amount to be reimbursed from the Early Reimbursement Date to the Maturity Date, including any related costs, such as unwinding any underlying hedging arrangements. The costs of redeployment will be established on the basis of the difference between the original rate and the redeployment rate, which shall be determined by the CEB on the basis of market conditions on the date of the Early Reimbursement Notice.

## Interest Determination

The Borrower shall pay interest on the principal of each Tranche from time to time outstanding during each Interest Period at the Fixed Interest Rate/Floating Interest Rate specified in the applicable Disbursement Notice.

Interest shall (i) accrue from and including the first day of the Interest Period to but excluding the last day of such Interest Period; and (ii) be due and payable on the Interest Payment Dates specified in the applicable Disbursement Notice. Interest shall be calculated on the basis of the Day Count Convention specified in the relevant Disbursement Notice.

In the case of Floating Interest Rate Tranches, the CEB shall determine on each Interest Determination Date the interest rate applicable during the relevant Interest Period in accordance with the Agreement and promptly give notice thereof to the Borrower. Each determination by the CEB shall be final, conclusive and binding upon the Borrower unless shown by the Borrower to the satisfaction of the CEB that any such determination has involved manifest error.

## Default Interest Rate

In the event that the Borrower fails to pay, in full or in part, any amount under the Agreement, and notwithstanding any other recourse available to the CEB under the Agreement or otherwise, the Borrower shall pay interest on such unpaid amounts from the due date until the date of receipt of such payment by the CEB at the interest rate *per annum* equal to the one-month EURIBOR quoted on the due date plus two hundred basis points (200 bps) (hereinafter, the **“Default Interest Rate”**).

The applicable Default Interest Rate shall be updated every thirty (30) calendar days.

## Market Disruption Event

The CEB shall promptly, upon becoming aware of it, notify to the Borrower that a Market Disruption Event has occurred.

For the purposes of the Agreement, **“Market Disruption Event”** refers to the following circumstances:

1. The Reuters page referred to under the EURIBOR definition does not indicate the required details or is not accessible.

Under such a Market Disruption Event, the applicable EURIBOR shall be the percentage rate *per annum* determined by the CEB to be the arithmetic mean of the rates at which loans in Euro, in an amount identical or nearest comparable to the Loan amount in question and for a period identical or nearest comparable to the relative Interest Period, are offered on the Interest Determination Date by three (3) leading banks in the EU interbank market selected by the CEB. If at least two (2) quotations are provided, the applicable EURIBOR for that Interest Determination Date shall be the arithmetic mean of all quotations provided.

If only one (1) or no quotation is provided, the applicable EURIBOR shall be the percentage rate *per annum* determined by the CEB to be the arithmetic mean of the rates at which loans in Euro, in an amount identical or nearest comparable to the Loan amount in question and for a period identical or nearest comparable to the relative Interest Period, are offered on the second Business Day after the beginning of the relevant Interest Period by major banks in the EU interbank market selected by the CEB.

1. The CEB determines that it is not possible to determine the applicable Reference Rate in accordance with paragraph (a) above.

Under such a Market Disruption Event, the applicable Floating Interest Rate shall be replaced by the rate that expresses as a percentage rate *per annum* the cost to the CEB of funding the Loan from whatever source the CEB may reasonably select.

1. At any time between the delivery of a Disbursement Notice and the Disbursement Date the CEB reasonably determines that there are exceptional and unexpected circumstances of an economic, financial, political or other external nature adversely affecting the CEB’s access to its sources of funding.

Under such a Market Disruption Event, the CEB shall be entitled to cancel at no cost the scheduled disbursement.

In the case of the Market Disruption Events set forth under items (a) and (b) above:

1. If the Borrower so requires, the Parties, acting in good faith, shall enter into negotiations for a period of not more than thirty (30) calendar days in order to agree on an alternative to the applicable EURIBOR. If no agreement is reached, the Borrower may proceed with early reimbursement on the next Interest Payment Date in the terms provided under Sub-clause 4.7.
2. The CEB shall have the right, acting in good faith and in consultation with the Borrower to the extent reasonably practicable, to change the duration of any subsequent Interest Period to thirty (30) calendar days or less by sending to the Borrower a notice thereof. Any such change to an Interest Period shall take effect on the date specified by the CEB in such notice.
3. For the avoidance of doubt, items (i) and (ii) above shall only apply in circumstances where the Borrower shall pay interest on the principal of a Tranche outstanding at a Floating Interest Rate.

If the CEB determines that the relevant Market Disruption Event no longer exists, then, subject to any further Market Disruption Event occurring or existing, the Floating Interest Rate and/or Interest Period applicable to any relevant Tranche shall revert, from the first day of the following Interest Period to being calculated in accordance with the Floating Interest Rate and Interest Period specified in the relevant Disbursement Notice.

## Payments

All the amounts due by the Borrower under this Agreement are payable in the Currency of each Tranche to the CEB’s account indicated in the applicable Disbursement Notice. Any payment under this Agreement shall be made on a Business Day subject to the Modified Following Business Day Convention. Any payment shall be deemed paid when the CEB has received the amount on its account.

The Borrower or the Bank instructed by the Borrower, as the case may be, shall send a written payment notice to the CEB at least five (5) Business Days before payment of any amounts due under this Agreement.

# PROGRAMME IMPLEMENTATION

The Borrower shall implement the Programme in accordance with the Agreement.

The Borrower designates the Public Investment Management Office (PIMO) as the PIE to be in charge of the overall management of *Component 1* of the Programme, as described in the Appendix 1, in order to ensure, among others, the eligibility of the investments and the quality of the documentation.

For *Component 2*, the Ministry of Environmental Protection (MEP) will be responsible for programme preparation and implementation in cooperation with PIMO. PIMO will be responsible for the procurement activities including tendering, contracting, financial management (accounting and payments), reporting, evaluation, monitoring and control in line with the agreement between MEP and PIMO.

In any event, the Borrower remains solely liable to comply with its obligations under the Agreement.

Failure to comply with the Programme Implementation undertakings set forth hereby under Clause 5 would constitute, irrespective of any other applicable provision of the Loan Regulations, an event in the terms of Article 3.3 (h) of the Loan Regulations and may give rise to (i) the relevant expenditure declared ineligible under the Programme; and/or (ii) the early reimbursement, suspension or cancellation of the Loan, in whole or in part, under the terms of Articles 3.3 (*Early reimbursement of disbursed loans*), 3.5 (*Suspension by the Bank of undisbursed loans*) and 3.6 (*Cancellation by the Bank of undisbursed loans*) of the Loan Regulations.

## Duty of Care

The Borrower shall apply all care and diligence, and shall exercise all typically used means (including, but not limited to, legal, financial, managerial and technical) required for the proper implementation of the Programme.

## Allocation Period

The Borrower shall allocate each Tranche to the Programme within twelve (12) months after the relevant Disbursement Date (the **“Allocation Period”**), unless otherwise agreed between the Borrower and CEB.

If a Tranche disbursed by the CEB is not allocated to the Programme or is only partially allocated to it within the Allocation Period, the Borrower shall reimburse the unallocated amounts to the CEB in accordance with Sub-clause 4.7 unless otherwise agreed between the Borrower and CEB.

## Programme Costs

The Tranches disbursed under the Loan shall not exceed sixty-seven per cent (67%) of the total eligible costs of the Programme. If the Tranches disbursed under the Loan exceed the above 67% (by reduction of the total eligible costs or otherwise), the Borrower shall reimburse the surplus to the CEB in accordance with Sub-clause 4.7.

Should the total eligible costs of the Programme increase or be revised for whatever reason, the Borrower shall ensure that the additional financial resources for the completion of the Programme are available without recourse to the CEB. The plans to finance the increased costs shall be communicated to the CEB without delay.

## Programme Specific Undertakings

The Borrower shall ensure that:

1. all the land, real property rights and permits required for the implementation of the Programme are timely available; and
2. all assets and plants under the Programme are permanently insured and maintained in accordance with international best practices.

## Procurement

Procurement of supplies, works and services to be financed under the Programme shall comply with the CEB Procurement Guidelines.

## Environmental and Social Safeguards

The Borrower through PIMO for Component 1 and PIMO and MEP for Component 2 shall implement the Programme in conformity with the requirements set forth in the Environmental and Social Safeguards Policy. In particular, should any Sub-programme require an Environmental Impact Assessment (EIA) in accordance with the Environmental and Social Safeguards Policy, the Borrower shall provide the CEB with the possibility to review the EIA summary before proposing the Allocation of the Loan to such a Sub-programme.

## Human Rights

The Borrower through PIMO for Component 1 and PIMO and MEP for Component 2 shall ensure that the implementation of the Programme will not give rise to a violation of (i) the European Convention on Human Rights; or (ii) the European Social Charter.

## Integrity

The Borrower undertakes that it will not commit, and no person, with its consent or prior knowledge, will commit, in connection with the implementation of the Programme or the execution of any contract under the Programme a Corrupt, Fraudulent, Coercive or Collusive Practice (hereinafter, jointly referred to as the **“Prohibited Practices”**).

For the purposes of this Agreement:

1. A **“Corrupt Practice”** means the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party.
2. A **“Fraudulent Practice”** means any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit, or to avoid an obligation.
3. A **“Coercive Practice”** means impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.
4. A **“Collusive Practice”** is an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party.

The Borrower undertakes to inform CEB if it should become aware of any fact or information suggestive of the commission of any such Prohibited Practice. For this purpose, the knowledge of any member of PIMO for Component 1 and PIMO and MEP for Component 2 shall be deemed the knowledge of the Borrower.

The Borrower undertakes:

1. to take timely such action as the CEB may reasonably request to investigate and/or terminate any alleged or suspected Prohibited Practice;
2. to inform the CEB of the measures taken to seek damages from the persons responsible for any loss resulting from any such Prohibited Practice; and
3. to facilitate any investigation that the CEB may make concerning any such act.

The Head of the PIE shall be responsible for contacts with the CEB for the purposes of this Sub-clause.

## Visibility

The Borrower shall inform the Final Beneficiaries that the Programme is partly financed by the CEB through appropriate means of communication such as dedicated notices in relevant websites, press releases, brochures or the exhibit of billboards/plates on relevant Programme sites/facilities. In any case, information given to the Final Beneficiaries shall display in an appropriate way the CEB’s name and logo.

# MONITORING

## Reporting

1. Progress Reports

The Borrower through PIMO for Component 1 and PIMO and MEP for Component 2 shall send to the CEB a progress report (hereinafter, a **“Progress Report”**) (i) once a year, from the entry into force of the present Agreement until the completion of the works planned under the Programme; and (ii) prior to every Disbursement Request.

Appendix 4 hereto provides a template specifying the minimum information required by the CEB. For large sub-programmes, above EUR 10 million, and smaller sub-programmes in case specific problems are reported or identified as part of CEB technical monitoring missions, implementation shall be closely monitored until completion. Alternative formats containing the same information may also be used.

1. Completion Report

Upon completion of works planned under the Programme, the Borrower through PIMO for Component 1 and PIMO and MEP for Component 2 shall submit a completion report (hereinafter, a **“Completion Report”**) including an appraisal of the Programme’s social impact with technical indicators agreed upon with the CEB in Appendix 4.

Appendix 4 hereto provides a template specifying the minimum information required by the CEB. Alternative formats containing the same information may also be used.

1. Additional information reporting may be established in a conclusion letter following CEB technical missions, in coordination with PIMO and MEP, as applicable.

## Visits

The Borrower undertakes to favourably receive any monitoring/technical/evaluation visits, including by facilitating access to relevant Programme sites/contractors, carried out by the CEB’s staff members or designated third parties.

## Audit

Should the Borrower fail to comply with any of its undertakings under the Agreement, the Borrower undertakes to favourably receive any on-site audit, carried out by the CEB’s staff members or designated third parties, which shall be at the Borrower’s expense.

## Programme Information

The Borrower shall keep accounting records concerning the Programme, which shall be in conformity with international standards, showing, at any point in time, the Programme’s state of progress, and which shall record all operations made and identify the assets and services partially financed with the Loan.

The Borrower, through PIMO for Component 1 and PIMO and MEP for Component 2, shall deliver to the CEB in a timely manner any information or document concerning the financing or the implementation (including in particular environmental and procurement issues) of the Programme as the CEB may reasonably require.

The Borrower through PIMO for Component 1 and PIMO and MEP for Component 2 shall inform the CEB immediately of any event that may have a material adverse impact on the implementation of the Programme, including but not limited to:

1. any action or protest initiated or any objection raised by any third party or any genuine complaint received by the Borrower or any material litigation that is commenced or threatened against it with regard to procurement or environmental or other matters affecting the programme; and
2. any enactment of or any amendment to any law, rule or regulation (or in the application or official interpretation of any law, rule or regulation).

Any event that may have a material adverse impact on the implementation of the Programme would constitute an event in the terms of Article 3.3 (h) of the Loan Regulations and may give rise to the early reimbursement, suspension or cancellation of the Loan under the terms of Articles 3.3 (*Early reimbursement of disbursed loans*), 3.5 (*Suspension by the Bank of undisbursed loans*) and 3.6 (*Cancellation by the Bank of undisbursed loans*) of the Loan Regulations.

## Borrower Information

(a) Material Adverse Change

The Borrower, directly or through PIMO for Component 1 and PIMO and MEP for Component 2, shall inform the CEB immediately of any Material Adverse Change. Any Material Adverse Change would constitute an event in the terms of Article 3.3 (h) of the Loan Regulations and may give rise to the early reimbursement, suspension or cancellation of the Loan under the terms of Articles 3.3 (*Early reimbursement of disbursed loans*), 3.5 (*Suspension by the Bank of undisbursed loans*) and 3.6 (*Cancellation by the Bank of undisbursed loans*) of the Loan Regulations.

(b) Cross-Default

The fact that, following any default in relation thereto, the Borrower is required or is capable of being required or will, following expiry of any applicable contractual grace period, be required or be capable of being required to prepay, repay or terminate ahead of maturity any Debt Instrument or any commitment in connection with a Debt Instrument is cancelled or suspended, would constitute an event in the terms of Article 3.3 (h) of the Loan Regulations and may give rise to the suspension, cancellation or early reimbursement of the Loan under the terms of Articles 3.3 (*Early reimbursement of disbursed loans*), 3.5 (*Suspension by the Bank of undisbursed loans*) and 3.6 (*Cancellation by the Bank of undisbursed loans*) of the Loan Regulations.

# PARI PASSU

Failure to comply with the provisions set forth hereby under Clause 7 would constitute an event in the terms of Article 3.3(h) of the Loan Regulations and may give rise to the early reimbursement, suspension or cancellation of the Loan under the terms of Articles 3.3 (*Early reimbursement of disbursed loans*), 3.5 (*Suspension by the Bank of undisbursed loans*) and 3.6 (*Cancellation by the Bank of undisbursed loans*) of the Loan Regulations.

## Ranking

The Borrower shall ensure that its payment obligations under this Agreement rank, and will rank, not less than *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations under its Debt Instruments.

In particular, the Borrower shall not make (or authorise) any payment in respect of any other such Debt Instrument (whether regularly scheduled or otherwise) if:

1. the CEB makes a demand of early reimbursement under Article 3.3 of the Loan Regulations; or
2. an event or potential event of default under any unsecured and unsubordinated Debt Instrument of the Borrower or any of its agencies or instrumentalities has occurred and is continuing.

However, payment in respect of such Debt Instrument is possible if the Borrower:

1. simultaneously pays; or
2. sets aside in a designated account for payment on the next Interest Payment Date,

a sum equal to the same proportion of the principal outstanding under this Agreement as the proportion that the payment under such Debt Instrument bears to the total debt outstanding under that instrument.

For this purpose, any payment of a Debt Instrument that is made out of the proceeds of the issue of another instrument, to which substantially the same persons as hold claims under the Debt Instrument have subscribed, shall be disregarded.

## Security

Should a Security be granted for the performance of any Borrower’s Debt Instrument, the Borrower shall timely inform the CEB of its intentions and shall, if so required by the CEB, provide to the CEB, within the deadline set forth in CEB’s notice, identical or equivalent Security for the performance of its financial obligations under this Agreement.

This provision shall not apply to a Security:

1. created on property at the time of purchase solely as security for the payment of the purchase price or for the payment of debt incurred for the purpose of financing the purchase of such property;
2. securing a Debt Instrument maturing not more than one (1) year after the date on which it is originally incurred; or
3. previously approved by the CEB.

## Clause by Inclusion

Should any Borrower’s Debt Instrument include clauses regarding a loss-of-rating, financial ratios or *pari passu* that are stricter than any equivalent provision of this Agreement, the Borrower shall so inform the CEB and shall, at the request of the CEB by means of a written notice, execute within the period indicated in the CEB’s notice, an amendment to this Agreement to provide an equivalent provision in favour of the CEB.

## Prepayment to Third Parties

Should the Borrower prepay in whole or in part, voluntarily or otherwise, any Debt Instrument, the Borrower shall so inform the CEB.

In such an event, and upon CEB’s request, the Borrower shall reimburse to the CEB the amounts disbursed under the Loan in accordance with Sub-clause 4.7 in such proportion as the prepaid amount bears to the corresponding Debt Instrument. The aforementioned does not concern prepayments to revolving credit facilities which remain open for drawing on the same terms after such prepayment.

For the purposes of the Agreement, **“prepayment”** means a repayment in advance of maturity.

# REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that:

1. its competent bodies have authorised it to enter into the Agreement and have given the signatory(ies) the authorisation therefor, in accordance with the laws, decrees, regulations and other texts applicable to it;
2. the execution and delivery of, the performance of its obligations under and compliance with the provisions of this Agreement do not:
3. contravene or conflict with any applicable law, statute, rule or regulation, or any judgement, decree or permit to which it is subject;
4. contravene or conflict with any agreement or other Debt Instrument binding upon it which might reasonably be expected to give rise to a Material Adverse Change;
5. no event or circumstance is outstanding that constitutes a default under any other agreement or Debt Instrument, which is binding on it or to which its assets are subject, which might reasonably be expected to give rise to a Material Adverse Change;
6. no Security has been granted to a third party in breach of Sub-clause 7.2;
7. no litigation, arbitration or administrative proceedings of or before any court, arbitral tribunal or agency which might reasonably be expected to give rise to a Material Adverse Change have (to the best of its knowledge and belief) been started or threatened against it; and
8. it has received a copy of the Loan Regulations, the Loan Policy, the Environmental and Social Safeguards Policy and the Procurement Guidelines and has taken note thereof.

The above representations and warranties are deemed repeated on the date of signature of each Disbursement Request. Any change in relation to the above representations and warranties must, for the entire Loan period, be notified and any supporting documents provided to the CEB immediately.

If any of the above representations and warranties is or proves to have been incorrect or misleading in any respect, this would constitute an event in the terms of Article 3.3 (h) of the Loan Regulations and may give rise to the suspension, cancellation or early reimbursement of the Loan under the terms of Articles 3.3 (*Early reimbursement of disbursed loans*), 3.5 (*Suspension by the Bank of undisbursed loans*) and 3.6 (*Cancellation by the Bank of undisbursed loans*) of the Loan Regulations.

# THIRD PARTIES

The Borrower may not raise any fact relating, within the scope of the use of the Loan, to its relations with third parties in order to avoid fulfilling, either totally or partially, the obligations resulting from the Agreement.

The CEB may not be involved in disputes which might arise between the Borrower and third parties and the costs, whatever their nature, incurred by the CEB due to any claims, and in particular all legal or court costs, shall be at the expense of the Borrower.

# NON-WAIVER

In no case, including delay or partial exercise, shall it be presumed that the CEB has tacitly waived any right granted to it by the Agreement.

# ASSIGNMENT

The Borrower may not assign or transfer any of its rights or obligations under the Agreement without the prior written consent of the CEB.

The CEB may assign all or part of its rights and benefits or transfer all or part of its rights, benefits and obligations under the Agreement.

# GOVERNING LAW

The Agreement shall be governed by the rules of the CEB as specified in the provisions of Article 1, paragraph 3, of the Third Protocol (dated 6 March 1959) to the General Agreement on Privileges and Immunities of the Council of Europe (dated 2 September 1949) and, secondarily, if necessary, by French law.

# DISPUTES

Disputes between the Parties to the Agreement shall be subject to arbitration under the conditions laid down in Chapter 4 of the Loan Regulations.

The Parties agree not to take advantage of any privilege, immunity or legislation before any jurisdictional or other authority, whether domestic or international, in order to object to the enforcement of an award handed down under the conditions laid down in Chapter 4 of the Loan Regulations.

In any legal action arising from this Agreement, the CEB’s certificate as to any amount due or interest rate applicable under the Agreement shall, in the absence of manifest error, be prima facie evidence of such amount or interest rate.

# NOTICES

Any notice or other communication to be given or made under this Agreement to the CEB or the Borrower shall be in writing and shall be deemed to have been duly given or made when it is delivered by registered mail or facsimile by one Party to the other Party’s address or fax number specified below:

For the Borrower:

Ministry of Finance of the Republic of Serbia

20, Kneza Miloša Street

11000 Belgrade

Serbia

Attention: Minister of Finance

Fax: +381 11 3618 961

For the CEB:

Council of Europe Development Bank

55 Avenue Kléber

75116 Paris

France

Attention: Director, Projects Department

Fax: + 33 1 47 55 37 52

All notices or other communications to be given or made under the Agreement shall be in English or French or, if in another language, shall be accompanied by an English or French certified translation thereof, when so required by the CEB.

Without affecting the validity of any notice delivered by facsimile according to the paragraphs above, a copy of each notice delivered by facsimile shall also be sent by registered letter to the relevant Party on the following Business Day at the latest.

Notices issued by the Borrower pursuant to any provision of this Agreement shall, where required by the CEB, be delivered to the CEB together with satisfactory evidence of the authority of the person or persons authorised to sign such notice on behalf of the Borrower and the authenticated specimen signature of such person or persons.

# TAXES AND EXPENSES

The Borrower shall pay, to the extent applicable, all taxes, duties, fees and other impositions of whatsoever nature, including stamp duty and registration fees, arising out of the execution, registration or implementation of the Agreement or any related document as well as of the creation, perfection, registration or enforcement of any Security required under the Agreement.

The Borrower shall bear all charges and expenses (including legal, professional, banking or exchange costs) incurred in connection with (i) the preparation, execution, perfection, implementation and termination of this Agreement or any related document; (ii) any amendment, supplement or waiver in respect of this Agreement or any related document; and (iii) the preparation, execution, perfection, management and enforcement of any Security required under the Loan.

Notwithstanding the above, Article 4.7 (*Cost of arbitration*) of the Loan Regulations shall apply regarding the costs of the arbitration set forth under Clause 13 *(Disputes)*.

# DISCHARGE

After repayment of all outstanding principal under the Loan as well as payment of all interests and other expenses resulting from the Agreement, including in particular those amounts under Sub‑clause 4.9 *(Default Interest Rate)* and Clause 15 *(Taxes and Expenses)*, the Borrower shall be fully released from its obligations towards the CEB, with the exception of those set out in Clause 6 *(Monitoring)* above for the purposes of a possible evaluation of the Programme, which shall not take place later than four (4) years following the repayment of all outstanding principal under the Loan.

# ENTRY INTO FORCE

The Agreement shall enter into force upon execution by the Parties and ratification by the Parliament of the Republic of Serbia with written confirmation to that effect received by CEB from the Borrower.

IN WITNESS THEREOF the Parties have caused the Agreement to be executed by duly authorised signatories in four (4) originals, each of which is equally valid. One (1) original is for CEB and (3) for the Borrower.

Belgrade, on February 27, 2020

For the Borrower

Name: Siniša Mali

Title: Minister of Finance

Paris, on March 3, 2020

For the CEB

Name: Rosa M. Sanchez-Yebra Alonso

Title: Vice-Governor

APPENDIX 1

**Programme Description**

|  |  |  |  |
| --- | --- | --- | --- |
| **I.** | **LD** | 2026 (2019) | |
|  | **Borrower** | Republic of Serbia | |
|  | **Loan Type** | Programme Loan | |
|  | **Loan Amount** | EUR 200 000 000 | |
|  | **Approval by the CEB’s Administrative Council** | 21 November 2019 | |
|  |  |  |  | |
| **II.** | **Sector(s) of action** | Protection of the Environment | |
|  | **Planned Works** | The Programme is structured in two main components:  ***Component 1, water supply****,* is intended to partly finance priority investment for the improvement of the water supply systems in around 60 municipalities in Serbia. The improvements will consist of priority measures intended predominantly to protect water quality and reduce water losses in a context of rarefication of the water resource in Serbia due to climate change vulnerability and overall pollution.  ***Component 2, waste water****,* aims to partially finance the construction of new waste water treatment plants (WWTP) and related sanitation networks in the country, most likely in Cacak, Niš and Kragujevac. | |
|  | **Location** | Throughout Serbia | |
|  | **Final Beneficiaries** | Close to 2 000 000 people in around 60 municipalities (and small municipalities) throughout the country. | |
|  | **Programme Total Cost** | EUR 300 000 000 | |
|  | **Financing Plan** | The CEB loan will co-finance up to 67% of the Programme Total Cost.   |  |  |  | | --- | --- | --- | | **Sources – financing partners** | **MEUR** | **Share** | | CEB | 200 | 67% | | EIB[[1]](#footnote-1) | 50 | 16% | | EU IPA grant | 40 | 13% | | Local Authorities (mainly preparation costs (studies, land acquisition, monitoring) | 10 | 4% | | **TOTAL** | **300** | **100%** | | |
|  | **Programme Implementation Period** | 01/09/2020-30/06/2026 | |
|  | **Closing Date** | 31 December 2026 | |
|  |  |  |  | |
| **III.** | **Eligibility Criteria** | The CEB may finance programmes that contribute to protecting and improving the environment concerned with:   1. reduction and treatment of solid and liquid waste; 2. clean-up and protection of surface and underground water; 3. decontamination of soils and aquifiers; 4. protection against noise; 5. production of renewable energy; 6. energy saving measures (excluding energy production/distribution); 7. reduction of air pollution; 8. protection and development of biodiversity;   i. cleaner transport means and networks.  As regards to the production of renewable energy, programmes eligible for CEB financing must be strictly in line with the specifications and requirements defined by CEB during appraisal. | |
|  | **Eligible Costs** | 1. Eligible costs may include:  i. The cost of surveys or studies (technical, economic or commercial, engineering) as well as the cost of technical supervision of the programme. These costs should not exceed 5% of the total cost of the programme, unless justified;  ii. The cost of acquiring land directly linked to a programme, at its purchase price, unless it has been donated or granted;  iii. Preparation of the land;  iv. Construction/renovation/modernization or purchase of buildings directly linked to a programme;  v. The installation of basic infrastructure such as sewerage, water supply, electricity and telecommunications networks, waste disposal and waste water treatment, roads, etc.;  vi. The purchase of materials, equipment and machinery, as well as the related costs linked to the training of staff.  2. Contingencies for unanticipated costs (technical and/or price increases) can be financed by CEB. These represent financial coverage in respect of possible changes in the quantity of work required, or of unit prices, in the type and quantity of equipment to be purchased or in the method of carrying out the programme. Depending on the sector of activity and the various components of the programme, these contingencies may represent up to 10% of the Programme Total Cost.  3. Costs related to professional/vocational training and public awareness-raising campaigns may be eligible for CEB financing taking into account their objectives within the framework of the programmes.  4. CEB loans cannot cover staff costs (wages/salaries and other related benefits such as pension payments), financial charges and non-cash elements such as depreciation. Such costs may however be considered eligible when they relate to programme management or technical assistance required for programme preparation and implementation.  5. Financial costs or investments (payment of debts, refinancing, interest charges, acquisition of interest in the capital of an enterprise, etc.) cannot be included in the estimated costs of the programme and cannot be financed by the CEB.  6. Non-deductible and non-refundable VAT and other tax-related costs non-deductible and non-refundable can be considered as eligible costs.  7. Other CEB technical requirements and recommendations may be established in a conclusion letter following technical missions, in coordination with PIMO and MEP, as applicable. | |
|  |  |  |  | |
| **IV.** | **Social impact** | The Programme would contribute to the quantity and quality of the water resources, by reducing the pollution load of waste water and increasing water supply efficiency. Waste water treatment will decrease exposure to water borne diseases for the population and will protect current economic activity linked to water resources and affected by continuous deterioration of water quality. The Programme would therefore improve the general living environment and should provide tangible benefits from enhanced environmental protection and improvement of public utility services, directly decreasing overall pollution in water surfaces and ground water, preserving water resources, ecosystems and biodiversity dependent on these surface water bodies. | |

APPENDIX 2

**Form of Legal Opinion**

Council of Europe Development Bank

55, Аvenue Kléber

F-75116 Paris

Attn: Projects Department

Cc: Office of the General Counsel

[INSERT DATE]

**Re: *Framework Loan Agreement between the Council of Europe Development Bank and the Republic of Serbia (Ref: LD 2026 (2019))***

Dear Sirs,

In my capacity as the Minister of Justice, I hereby submit this opinion in line with the provisions of Article 4.5(a)(i) of the Framework Loan Agreement LD 2026 (2019) between Council of Europe Development Bank and Republic of Serbia, in the amount of 200,000,000 EUR, signed on \_\_\_\_\_ (hereinafter referred to as the ”Loan Agreement”). All the terms that are used here, if not otherwise defined, have the same meaning as in the Loan Agreement.

I have reviewed the original Loan Agreement and the provisions of the Constitution of the Republic of Serbia (”Official Gazette of the Republic of Serbia” No. 98/2006), as well as legal and other regulations, and I have undertaken other activities that I deemed necessary in order to submit this opinion.

According to the aforementioned, my opinion is as follows:

1. Pursuant to the provision of Article 123, Item 1 of the Constitution of the Republic of Serbia (”Official Gazette of the Republic of Serbia” No. 98/2006) it is provided that the Government shall establish and pursue the policy, and pursuant to the provision of Article 2, Paragraph 1 and Article 43, Paragraph 3 of the Law on Government (”Official Gazette of the Republic of Serbia” No. 55/05, 71/05-corrigendum, 101/07, 65/08, 16/11, 68/12-Constitutional Court, 72/12, 7/14 – Constitutional Court, 44/14 and 30/18-other law) it is provided that the Government shall establish and pursue the policy of the Republic of Serbia, and when it does not pass other acts, the Government adopts conclusions. In line with the referred provisions, the Government at its session held on \_\_\_\_\_\_\_ adopted the Conclusion No: \_\_\_\_\_\_\_, whereby it adopted the Draft Loan Agreement and authorized \_\_\_\_\_\_\_\_\_\_\_\_\_\_, to sign the Loan Agreement on behalf of the Government as the representative of the Republic of Serbia;

(b) Pursuant to the provision of Article 99, Paragraph 1, Item 4 of the Constitution of the Republic of Serbia (”Official Gazette of the Republic of Serbia” No. 98/2006) it is provided that the National Assembly of the Republic of Serbia ratifies the international treaties when their ratification is provided by law, and subject to the provision under Article 2, Paragraph 1 of the Law on Conclusion and Execution of International Treaties (”Official Gazette of the Republic of Serbia - International Treaties” No. 32/13) which provides that an international treaty shall be a treaty which the Republic of Serbia concludes in written form with one or more countries or one or more international organizations, which is governed by international law. Pursuant to the provision of Article 5, Paragraph 2 of the Law on Public Debt (”Official Gazette of the Republic of Serbia” No. 61/05, 107/09, 78/11, 68/15, 95/18 and 91/19) it is provided that the National Assembly of the Republic of Serbia decides on the borrowing by contracting long-term credits for financing of investment projects, or by issuing guarantees or directly assuming liabilities on the basis of issued guarantees. In line with the stated provisions, the National Assembly of the Republic of Serbia rendered the Law on Ratification of Framework Loan Agreement LD 2026 (2019) between Council of Europe Development Bank and Republic of Serbia (”Official Gazette of the Republic of Serbia - International Treaties”, No. \_\_\_\_\_\_);

(c) There are no other provisions according to which it would be necessary to submit, record or register the Loan Agreement with any court or state authority or organization in order to secure its legality, effectiveness and enforceability;

(d) The choice of the law set forth in Article 12 of the Loan Agreement, is legally valid and binding on the Borrower under the laws of the Republic of Serbia;

(е) Pursuant to Article 13 of the Loan Agreement, the arbitration provisions set forth in Chapter 4 of the CEB Loan Regulations shall apply for any claim or dispute between the Republic of Serbia and the Council of Europe Development Bank arising from the Loan Agreement, and any decision of the arbitration tribunal pertaining to the Loan Agreement can be executed in the Republic of Serbia without re-examination or re-litigation of the matters thereby adjudicated. In line with the aforementioned the waiver of immunity pursuant to Article 13 of the Loan Agreement is valid and binding;

(f) No taxes, customs duties, fees or other impositions, including without limitation taxes, fees or other levies for registration or transfers that are applicable in the Republic of Serbia, or any other unit of territorial autonomy or local government, shall not be payable in connection with the conclusion or execution of the Loan Agreement, or in connection with the payments that the Republic of Serbia is to make to the Council of Europe Development Bank under the Loan Agreement;

(g) No exchange control restrictions are in place or consents are required in order to permit the receipt of all amounts to be disbursed under the Loan Agreement and to permit the repayment of the Loan and the payment of interest and all other amounts due under this Loan Agreement;

(h) The execution of the Loan Agreement did not, and its performance will not violate any norms of the Republic of Serbia or cause any material breach of any agreement or undertaking to which the Republic of Serbia is bound.

In view of everything stated above, I am of the opinion that all conditions that are stipulated by the Constitution, laws and other acts of the Republic of Serbia which could be applied to the Loan Agreement are met, that the provisions of the Loan Agreement are in full force and effect and that the Loan Agreement is valid, binding and enforceable in the Republic of Serbia in accordance with its terms.

Yours faithfully,

MINISTER

\_\_\_\_\_\_\_\_

APPENDIX 3

**DISBURSEMENT REQUEST (TEMPLATE)**

**LD 2026 – [•] Tranche**

With reference the Framework Loan Agreement dated [●] (hereinafter, the “**Agreement”**) between the Council of Europe Development Bank (hereinafter, the CEB) and the Republic of Serbia(hereinafter, the “**Borrower**”), the Republic of Serbiahereby requests the CEB, in accordance with Sub-clause 4.3(a) of the Agreement, to proceed with the disbursement of a Tranche under the specific terms and conditions set out below.

Terms defined in the Agreement shall have the same meaning herein, unless otherwise specified.

|  |  |  |  |
| --- | --- | --- | --- |
| Currency/Amount | [●] | | |
| Disbursement Date | [●] | | |
| Principal Repayment Period | [●] years [including a grace period of [●] years] | | |
| Principal Repayment Date(s) | [●] | | |
| Maturity Date | [●] | | |
| Interest Rate | Fixed | Maximum [●] *per annum* | |
| Floating | Reference Rate: | [[●]-month EURIBOR/INSERT ANY OTHER REFERENCE RATE] *per annum* |
| Spread | Maximum [●] basis points |
| Interest Period | [Quarterly] [Semi-annually] in arrears | | |
| Interest Payment Dates | The interest payment will take place on [●] every year and for the first time on [●] | | |
| Day Count Convention | Modified Following Business Day Convention | | |
| Business Day | [●] | | |
| Borrower’s Account | |  |  |  | | --- | --- | --- | | Beneficiary’s Name | [●] | | | Beneficiary’s Bank | Name | [●] | | City | [●] | | SWIFT | [●] | | IBAN | [●] | | Reference | [●] | | Correspondent Bank (if applicable) | Name | [●] | | City | [●] | | SWIFT | [●] | | IBAN | [●] | | | |

[•], on [•].

For the Borrower

[INSERT NAME(S)/TITLE(S)]

**DISBURSEMENT NOTICE (TEMPLATE)**

***LD [•] – [•] Tranche***

In response to your Loan Disbursement Request dated [●] with reference the Framework Loan Agreement dated [●] (hereinafter, the “**Agreement”**) between the Council of Europe Development Bank (hereinafter, the CEB) and the Republic of Serbia (hereinafter, the “Borrower”), the CEB hereby notifies to the Borrower, in accordance with Sub-clause 4.3(b) of the Agreement, the terms and conditions of the disbursement of the relevant Tranche.

Terms defined in the Agreement shall have the same meaning herein, unless otherwise specified.

|  |  |  |  |
| --- | --- | --- | --- |
| Currency/Amount | [●] | | |
| Disbursement Date | [●] | | |
| Principal Repayment Period | [●] years [including a grace period of [●] years] | | |
| Principal Repayment Date(s) | [●] | | |
| Maturity Date | [●] | | |
| Interest Rate | Fixed | [●] *per annum* | |
| Floating | Reference Rate: | [[●]-month EURIBOR/INSERT ANY OTHER REFERENCE RATE] *per annum* |
| Spread | [●] basis points |
| Interest Period | [Quarterly] [Semi-annually] in arrears | | |
| Interest Payment Dates | The interest payment will take place on [●] every year and for the first time on [●] | | |
| Day Count Convention | Modified Following Business Day Convention | | |
| Business Day | [●] | | |
| Borrower’s Account | |  |  |  | | --- | --- | --- | | Beneficiary’s Name | [●] | | | Beneficiary’s Bank | Name | [●] | | City | [●] | | SWIFT | [●] | | IBAN | [●] | | Reference | [●] | | Correspondent Bank (if applicable) | Name | [●] | | City | [●] | | SWIFT | [●] | | IBAN | [●] | | | |
| CEB’s account | |  |  |  | | --- | --- | --- | | Beneficiary’s Name | Council of Europe Development Bank | | | Beneficiary’s SWIFT | CEFPFRPP | | | Beneficiary’s Bank | Name | Deutsche Bank | | City | Frankfurt (Germany) | | SWIFT | DEUTDEFF | | IBAN | DE44 5007 0010 0928 7384 00 | | | |

Paris, on [•]

For the CEB

[INSERT NAME(S)/TITLE(S)]

APPENDIX 4

**Progress / Completion Report template**



**Results Indicators**

**WASTE WATER**

|  |  |  |
| --- | --- | --- |
| **Indicator** | **Unit** | **Definition** |
| Capacity of sewage treatment plant constructed or rehabilitated | p.e. | Total capacity of wastewater that the new or improved treatment plant can process. All treatment levels. |
| Length of sewer and/or stormwater pipes built | km | Length of sewers and/or stormwater pipes installed. |
| Length of sewer and/or stormwater pipes rehabilitated | km | Length of sewers and/or stormwater pipes rehabilitated |
| Domestic connections to sanitation services created | nr | New domestic connections to sanitation services |
| Domestic connections to sanitation services rehabilitated | nr | Domestic connections rehabilitated. |
| Population benefitting from improved sanitation services | Households[[2]](#footnote-2) | Urban or rural population with access to improved sanitation services, as defined by international standards. |
| Population with new service | Households | Urban or rural population with access to new sanitation services, as defined by international standards. |
| Leakage reduction | % | Baseline should be provided. |

**WATER SUPPLY**

|  |  |  |
| --- | --- | --- |
| **Indicator** | **Unit** | **Definition** |
| Capacity of water treatment plant constructed or rehabilitated | m3/d | Maximum amount of water that the new or improved treatment plant can process per day.  All types of water treatment, including simple treatment at spring or well source (chlorination, aeration...) |
| Length of water mains or distribution pipes built or upgraded | km | Length of water mains and distribution pipes installed. |
| Length of water mains or distribution pipes upgraded | km | Length of water mains and distribution pipes upgraded |
| Domestic connections to water supply created | nr | New domestic connections to the water network (Including yard taps and excluding stand pipe) |
| Domestic connections to water supply rehabilitated | nr | Upgraded connections to the water network (when upgrading water supply network distribution). |
| Population benefitting from safe drinking water | Households1 | Urban or rural population using a safe drinking water supply, as defined by international standards. |
| Service level | % | % of customers with 24 hours supply |
| Leakage reduction | % | Baseline should be provided. |

**Template Progress Report for Sub-programmes above EUR 10 million**

To facilitate the follow-up and monitoring of the major Sub-programmes, with total cost above EUR 10 million, the Borrower will submit an annual narrative progress report to CEB with the following indicative content:

|  |
| --- |
| ***Sub-programme Title:*** |
| 1. Update on the programme’s scope and progress, explaining the reasons for any significant discrepancies *vs.* the initially planned. |
| 1. Update the implementation plan of each of the main programme components, explaining the reasons for any delays. |
| 1. Update of programme estimated costs, contracts signed, costs incurred and reasons for any exceeding of costs *vs.* the initial budget. |
| 1. Report about environmental and social issues encountered during Subprogramme implementation,   notably land acquisition, possible resettlement and compensation, as well as incidents and complaints, health and safety measures |
| 1. Indicators of achievement of programme results |
| 1. Any significant event or major risk that could affect the operation of the programme. |

Note: For Sub-programmes co-financed by IPA, the Borrower should submit to CEB the Progress Report provided to the EC.

1. Municipal Infrastructure Resilience Framework Finance Contracts between the Republic of Serbia and the European Investment Bank signed in Luxembourg on April 29, 2019 and in Belgrade on May 7, 2019. [↑](#footnote-ref-1)
2. Number of inhabitants can also be used. In that case, please give average household size in programme area [↑](#footnote-ref-2)