(Operation Number 54524)

**LOAN AGREEMENT**

**(Novi Sad Solar-Thermal Plant Project)**

between

**THE REPUBLIC OF SERBIA**

and

**EUROPEAN BANK**

**FOR RECONSTRUCTION AND DEVELOPMENT**

Dated 27 December 2024

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LOAN AGREEMENT

**AGREEMENT** dated 27 December 2024 between **THE REPUBLIC OF SERBIA**(the “Borrower”) and **EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT** (the “Bank”).

**PREAMBLE**

**(A) WHEREAS,** the Bank has been established to provide financing for specific projects to foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiative in certain countries committed to and applying the principles of multiparty democracy, pluralism and market economics;

**(B) WHEREAS,** the Borrower intends to implement the project described in Schedule 1 (*Description of the Project*) which is designed to assist in financing the construction of a large-scale solar-thermal plant in Novi Sad with solar collector fields, a seasonal heat storage, heat pump and an e-Boiler (the “**Project**”);

**(C) WHEREAS,** the Project will be carried out by JKP “Novosadska Toplana” Novi Sad, the district heating company of Novi Sad (the “**Project Entity**”) and wholly owned by the City of Novi Sad (the “**City**”) with the assistance from the Borrower acting through the Ministry of Mining and Energy in accordance with the terms of a project agreement to be entered into between the Bank, the Borrower represented by the Ministry of Mining and Energy, and the Project Entity on the date about the date hereof (the “**Project Agreement**” and as defined in the Standard Terms and Conditions);

**(D) WHEREAS,** the Borrower has requested assistance from the Bank in financing part of the Project;

**(E) WHEREAS** the Project is part of the Green Cities Framework 3 Window 2 (“**Green Cities Framework**”) and is included the Green City Action Plan (”**GCAP**”) being developed by the City. Through the GCAP, the City identified, and is currently prioritising, its most pressing environmental challenges with targeted investments and policy actions to address them;

**(F) WHEREAS** the Borrower (represented by the Ministry of Finance) wishes to borrow, and EBRD wishes to lend up to one hundred and five million Euros (EUR 105,000,000) subject to the terms and conditions set forth or referred to in this Agreement and the Project Agreement. The Borrower retains the right to borrow less, following the approval decision of the investment grant by the WBIF;

**(H)** **WHEREAS**, subject to approval, the Bank also wishes to make available to the Borrower an investment grant provided by the European Union (“**EU**”) through the Western Balkans Investment Framework (“**WBIF**”) in the amount of up to 20% of the total project cost pursuant to a grant agreement to be entered into between the WBIF and the Borrower (the “**WBIF Investment Grant Agreement**"); and

**(I)** **WHEREAS,** the Borrower acting through the Ministry of Mining and Energy, the Project Entity and the City shall enter into a trilateral agreement on or around the date of this agreement for the purposes of defining responsibilities related to the Project (a "**Project Support Agreement**").

**NOW, THEREFORE,** the parties hereby agree as follows:

# ARTICLE I - STANDARD TERMS AND CONDITIONS; DEFINITIONS

## Section 1.01. Incorporation of Standard Terms and Conditions

All of the provisions of the Bank's Standard Terms and Conditions dated 5 November 2021 are hereby incorporated into and made applicable to this Agreement with the same force and effect as if they were fully set forth herein (the “**Standard Terms and Conditions**”).

## Section 1.02. Definitions

Wherever used in this Agreement (including the Preamble and Schedules), unless stated otherwise or the context otherwise requires, the terms defined in the Preamble have the respective meanings given to them therein, the terms defined in the Standard Terms and Conditions have the respective meanings given to them therein and the following terms have the following meanings:

“Borrower's Authorised

Representative” means the Minister of Finance of the Borrower.

“Enforcement Policy and

Procedures” means the Bank’s Enforcement Policy and Procedures dated 4 October 2017.

“Environmental and

Social Action Plan” means the plan of environmental and social mitigation and improvement measures specifying environmental and social performance criteria, standards, policies, procedures, practices, capital investments and implementation schedules, including measures to achieve and maintain compliance with EBRD Performance Requirements 1-8 and 10 dated April 2019 to be agreed between the Bank, the Borrower, represented by MoME and the Project Entity prior to the signing of the Agreement; and which once agreed may be amended only with the prior written consent of the Bank.

“Fiscal Year” means the Borrower's fiscal year commencing on 1 January of each year.

“Loan” means, collectively, the Tranche 1 Loan and the Tranche 2 Loan, each referred to in Section 2.01 or, as the context may require, the principal amount thereof from time to time outstanding.

“Margin” means in relation to each of the Tranche 1 Loan and the Tranche 2 Loan, one per cent (1%) per annum.

“MoME” means the Ministry of Mining and Energy of the Borrower.

“PIU" means the project implementation unit, including the team of professional and support staff with the necessary administrative powers as well as physical and financial resources necessary to implement the Project.

“Tranche 1 Loan” means the Tranche 1 Loan referred to in Section 2.01(a), or as the context may otherwise require, the principal amount thereof outstanding from time to time.

“Trance 2 Loan” means the amount referred to in Section 2.01(b), or as the context may otherwise require, the principal amount therefore outstanding from time to time.

“Tranche 2 Availability

Date” means the date as of which the Tranche 2 Loan has become committed and available for Drawdowns as notified by the Bank to the Borrower

## Section 1.03. Interpretation

In this Agreement, a reference to a specified Article, Section or Schedule shall, except where stated otherwise in this Agreement, be construed as a reference to that specified Article or Section of, or Schedule to, this Agreement.

# ARTICLE II - PRINCIPAL TERMS OF THE LOAN

## Section 2.01. Amount and Currency

The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of up to EUR 105,000,000 (one hundred and five million Euro) which consists of:

(a) the Tranche 1 Loan of EUR 85,000,000 (eighty-five million Euros) (the “**Tranche 1 Loan**”).

(b) the Tranche 2 Loan of EUR 20,000,000 (twenty million Euros) (the “**Tranche 2 Loan**”).

## Section 2.02. Other Financial Terms of the Loan

(a) The Minimum Drawdown Amount shall be EUR 1,500,000.

(b) The Minimum Prepayment Amount shall be EUR 1,000,000.

(c) The Minimum Cancellation Amount shall be EUR 1,000,000.

(d) The Interest Payment Dates shall be 15 April and 15 October of each year.

(e) (1) The Borrower shall repay the Tranche 1 Loan in 22 equal (or as nearly equal as possible) semi-annual instalments on 15 April and 15 October of each year, with the first Loan Repayment Date being 15 April 2029 and the last Loan Repayment Date being 15 October 2039.

(2) Notwithstanding the foregoing, in the event that (i) the Borrower does not draw down the entire Loan amount prior to the first Loan Repayment Date specified in this Section 2.02(e), and (ii) the Bank extends the Last Availability Date specified in Section 2.02(f) below to a date which falls after such first Loan Repayment Date, then the amount of each drawdown made on or after the first Loan Repayment Date shall be allocated for repayment in equal amounts to the several Loan Repayment Dates which fall after the date of such drawdown (with the Bank adjusting the amounts so allocated as necessary so as to achieve whole numbers in each case). The Bank shall, from time to time, notify the Borrower of such allocations.

(f) Notwithstanding anything to the contrary, express or implied, in this Agreement, the Tranche 2 Loan is uncommitted and accordingly the Bank shall have no obligation to make any disbursements under the Tranche 2 Loan unless it, (1) has received the Borrower’s request to make Tranche 2 committed on or before 31 March 2025 or such later date agreed in writing with Bank; (2) has evidence that the WBIF Grant will not be provided by the EU to the Borrower and (3) shall have determined in its sole and absolute discretion that it is prepared to make Tranche 2 Loan available for disbursement and (4) shall have notified the Borrower of such positive determination (if any).

(g) The Last Availability Date for the Tranche 1 Loan shall be the date of the fourth anniversary of the date of this Agreement. and for the Tranche 2 Loan shall be the date of the fourth anniversary of the Tranche 2 Loan Availability Date, or such later date that the Bank may in its discretion establish and notify to the Borrower. If the Available Amount, or any part thereof, is subject to a Fixed Interest Rate (in case if the Borrower would exercise its right to elect to pay interest at a Fixed Interest rate under Section 2.02(h) below), and the Bank postpones the Last Availability Date, the Borrower shall promptly pay to the Bank such amount of Unwinding Costs as shall, from time to time, be notified by the Bank in writing to the Borrower.

(h) The rate of the Commitment Charge shall be: 0.5% per annum on the undisbursed amount of each of the Tranche 1 Loan and the Tranche 2 Loan. The Commitment Charge shall accrue, on the Tranche 1 Loan, sixty (60) days after the date of the Loan Agreement. The Commitment Charge shall accrue, on the Tranche 2 Loan sixty (60) days after the Tranche 2 Loan Availability Date. The Commitment Charge shall be payable on the Available Amount of the Tranche 1 Loan and the Tranche 2 Loan, respectively, on each Interest Payment Date (even though no interest may be payable on such date) commencing, for the Tranche 1 Loan, on the first Interest Payment Date following the Effective Date and for the Tranche 2 Loan, on the first Interest Payment Date following sixty (60) days after the Tranche 2 Availability Date.

(i) The Loan may be subject to a Variable Interest Rate. Notwithstanding the foregoing, the Borrower may, as an alternative to paying interest at a Variable Interest Rate on all or any portion of the Loan then outstanding, elect to pay interest at a Fixed Interest Rate on such portion of the Loan in accordance with Section 3.04(c) of the Standard Terms and Conditions.

(j) The Borrower shall pay to the Bank the Front-end Commission equal to one per cent (1 %) of the Tranche 1 Loan and the Tranche 2 Loan. The Bank shall, on behalf of the Borrower, withdraw such amount from the Available Amount of the Tranche 1 Loan on the Effective Date, or within seven (7) days thereafter and from the Available Amount of the Tranche 2 Loan on the Tranche 2 Availability Date, or within seven days (thereafter) and pay to itself the amount of such front-end commission.

## Section 2.03. Drawdowns

The Available Amount may be drawn down from time to time in accordance with the provisions of Schedule 2 to finance (1) expenditures made (or, if the Bank so agrees, to be made) in respect of the reasonable cost of goods, works and services required for the Project and (2) the Front-end Commission.

# ARTICLE III - EXECUTION OF THE PROJECT

## Section 3.01. Other Affirmative Project Covenants

In addition to the general undertakings set forth in Articles IV and V of the Standard Terms and Conditions, the Borrower acting through MoME shall, unless the Bank otherwise agrees:

(a) make available to the Project Entity, pursuant to an agreement in form and substance satisfactory to the Bank, the proceeds of the Loan on terms and conditions acceptable to the Bank;

(b) cause all goods, works and services financed out of the proceeds of the Loan to be used exclusively for the purposes of the Project;

(c) delegate to the Project Entity the day-to-day management of the Project, including, but not limited to, the consolidated financial and procurement management;

(d) perform all its obligations under the Project Agreement;

(e) cause the Project Entity to fulfil all of its obligations under the Project Agreement;

(f) provide or cause to be provided, when requested, all governmental licenses, approvals or consents required by the Project Entity for the Project, and for carrying out their businesses, including all approvals and licenses necessary to ensure that the Project Entity are granted rights of way and other land use rights necessary for carrying out the Project;

(g) exempt from VAT and custom duties, all goods, works and services procured by the Borrower, acting through the MoME, or the Project Entity, for the Project and financed from the proceeds of the Loan;

(h) take all actions necessary to provide adequate funds for the completion of the Project;

(i) ensure the implementation of the Environmental and Social Action Plan, and compliance with the EBRD’s Environmental and Social Policy by the Project Entity;

(j) ensure that the Project Entity has adequate resources and suitably qualified personnel during the implementation of the Project as well as after the completion of the Project; and

(k) transfer the assets to be financed from the proceeds of the Loan and Investment Grants to Project Entity as applicable.

# ARTICLE IV - SUSPENSION; ACCELERATION

## Section 4.01. Suspension

The following are specified for purposes of Section 7.01(a)(xvii) (*Suspension*) of the Standard Terms and Conditions:

(a) the legislative and regulatory framework applicable to the energy sector in the territory of the Borrower shall have been amended, suspended, abrogated, repealed or waived in a manner other than as approved by the Bank in writing;

(b) the Statute of the Project Entity shall have been amended, suspended, abrogated, repealed or waived;

(c) the Project Entity shall have failed to perform any of its obligations under the Project Agreement; or

(d) the ownership of the Project Entity is transferred to any other party than the City, unless the Bank has given its prior written approval to such transfer.

## Section 4.02. Acceleration of Maturity

The following are specified for purposes of Section 7.06(f) (*Events of Acceleration*) of the Standard Terms and Conditions: any of the events specified under Section 4.01(a)-(d) (*Suspension*) above shall have occurred and continues without remedy for thirty (30) days after the notice thereof has been given by the Bank to the Borrower.

# ARTICLE V - EFFECTIVENESS

## Section 5.01. Conditions Precedent to Effectiveness

The following are specified for purposes of Section 9.02(c) of the Standard Terms and Conditions as additional conditions to the effectiveness of this Agreement and the Project Agreement:

1. ratification of the Loan Agreement by the Parliament of the Republic of Serbia;
2. the Project Agreement, in form and substance satisfactory to the Bank, has been executed and delivered and all conditions precedents to its effectiveness, except only the effectiveness of the Loan Agreement, have been fulfilled;
3. legal opinion in form and substance acceptable to the Bank from the Ministry of Justice confirming that the Loan Agreement has been duly authorised by the Borrower and constitutes a valid and legally binding obligation of the Borrower enforceable in accordance with its terms;
4. legal opinion in form and substance acceptable to the Bank from the head of the legal department of the Project Entity confirming that the Project Agreement has been duly authorised by the Project Entity and constitute valid and legally binding obligations of the Project Entity enforceable in accordance with its term; and
5. (if applicable), the execution and delivery of the WBIF Investment Grant Agreement signed by the Borrower, acting through MoME which has been duly authorised or ratified by all necessary governmental and corporate action.

## Section 5.02 Condition Precedent to Drawdown

The following are specified for purposes of Section 9.02(c) of the Standard Terms and Conditions as additional conditions to the drawdown under this Agreement:

1. the Project Support Agreement, in form and substance satisfactory to the Bank, has been executed and delivered to the Bank;
2. a Project Implementation Unit has been established by the MoME and the Project Entity with adequate resources and suitably qualified personnel, in form and substance satisfactory to the Bank, and is operational; and
3. appointment of qualified consultants to support the Project Implementation Unit (in implementing the Project, including procurement, supervision of work, project management and reporting, financed out of WBIF grant funds, with engagement terms that are approved of by the Bank) have been appointed and mobilised to start their assignment, and are acceptable to Bank.

## Section 5.03. Legal Opinions

1. For purposes of Section 9.03(a) of the Standard Terms and Conditions the opinion or opinions of counsel shall be given on behalf of the Borrower by the Minister of Justice.
2. For purposes of Section 9.03(c) of the Standard Terms and Conditions the opinion or opinions of counsel shall be given on behalf of the Project Entity by the head of the legal department of the Project Entity.

## Section 5.04. Termination for Failure to Become Effective

The date 180 days after the date of this Agreement is specified for purposes of Section 9.04 of the Standard Terms and Conditions.

# ARTICLE VI - MISCELLANEOUS

## Section 6.01. Notices

The following addresses are specified for purposes of Section 10.01 of the Standard Terms and Conditions:

For the Borrower:

The Republic of Serbia

Ministry of Finance

Kneza Milosa 20

11000 Belgrade

Attention: Minister of Finance

Email: kabinet@mfin.gov.rs

For EBRD:

European Bank for Reconstruction and Development

5 Bank St

London, E14 4BG

United Kingdom

Attention: Banking Services

Email: BankingServices@ebrd.com

Telephone (for couriers): +44 20 7338 6000

**IN WITNESS WHEREOF,** the parties hereto, acting through their duly authorised representatives, have caused this Agreement to be signed in 5 originals and delivered at Belgrade, Serbia as of the day and year first above written.

**THE REPUBLIC OF SERBIA**

By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name: Siniša Mali

Title: First Deputy Prime Minister and Minister of Finance

**EUROPEAN BANK**

**FOR RECONSTRUCTION AND DEVELOPMENT**

By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name: Matteo Colangeli

Title: Director, Regional Head of Western Balkans

**IN WITNESS WHEREOF,** the parties hereto, acting through their duly authorised representatives, have caused this Agreement to be signed in 5 originals and delivered at Belgrade, Serbia as of the day and year first above written.

**THE REPUBLIC OF SERBIA**

By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name: Siniša Mali

Title: First Deputy Prime Minister and Minister of Finance

**EUROPEAN BANK**

**FOR RECONSTRUCTION AND DEVELOPMENT**

By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name: Matteo Colangeli

Title: Director, Regional Head of Western Balkans

SCHEDULE 1 - DESCRIPTION OF THE PROJECT

1. The purpose of the Project is to assist the Borrower with the construction of a large-scale solar-thermal plant in Novi Sad with solar collector fields, a seasonal heat storage, heat pump and an e-Boiler. The Project is part of the Green Cities Framework 3 Window 2 and is included the GCAP being developed by the City. The Project is envisaged to be co-financed with an investment grant to be provided by the EU through the WBIF.

2. The Project consists of procurement of goods, works and services for the construction of a large-scale solar-thermal plant in Novi Sad with solar collector fields, a seasonal heat storage, heat pump and an e-Boiler.

3. The Project is expected to be completed by 31 December 2028.

SCHEDULE 2 - CATEGORIES AND DRAWDOWNS

1. The table below sets forth the categories of items to be financed out of the proceeds of the Loan the allocation of the amounts, and the percentage of expenditures for items to be financed in each category. Subject to approval, the Project is envisaged to be co-financed by an investment grant provided by the EU through the WBIF in the amount of up to 20% of the total project cost.
2. Notwithstanding the provisions of paragraph 1 above, no drawdown shall be made until the Loan becomes effective.
3. The Bank shall be entitled to draw down on behalf of the Borrower and pay to itself, as and when due, the Front-end Commission.

|  |  |  |
| --- | --- | --- |
| **Category** | **Amount of the Loan (EUR)** | **Percentage of expenditures to be**  **financed by EBRD** |
| (1) Procurement of goods, works and services\* for the Project | 84,150,000 | 100% of the contract value  (excluding VAT and custom duties) |
| (2) Front-end Commission | 850,000 | 100% |
| **Total Tranche 1 Loan:** | **85,000,000** |  |
| (1) Procurement of goods, works and services for the Project | 19,800,000 | 100% of the contract value  (excluding VAT and custom duties) |
| (2) Front-end Commission | 200,000 | 100% |
| **Total Tranche 2 Loan:** | **20,000,000** |  |

\* Including PIU support and Supervision in case WBIF funding is delayed or unavailable.