
LOAN NUMBER 97440-ME

Loan Agreement

(Montenegro Energy Sector Decarbonization Project)

between

MONTENEGRO

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between MONTENEGRO (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower the amount of Euro thirty-one million (EUR 31,000,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.06. The Payment Dates are January 15 and July 15 in each year.
- 2.07. Except as provided in Section 2.08 below, the principal amount of the Loan shall be repaid in accordance with Section 3.03 of the General Conditions and Schedule 3 to this Agreement.
- 2.08. (a) Upon occurrence of an Eligible Event and issuance of government declaration of national emergency, the Borrower may request the Bank to activate:
(i) the Principal Payment Deferral in respect of a portion or all of the Withdrawn Loan Balance; and/or (ii) Interest Payment Deferral; for the Deferral Period,

provided that such request shall be made no earlier than in respect of the first Principal Payment Date and no later than the fifth anniversary prior to the final maturity of the Loan. Such request and any activation shall be made in accordance with the CRDC Terms and Conditions in effect at the time of the submission of the request, the provisions of which are hereby incorporated by reference and form an integral part of this Agreement. The activation of the Payment Deferral may occur only once during the term of the Loan.

(b) At the time of requesting the Principal Payment Deferral pursuant to the provisions of paragraph (a) of this Section 2.08, the Borrower may also request repayment provisions different from those set out in Schedule 3 to this Agreement for a portion or all of the Withdrawn Loan Balance for which Principal Payment Deferral is requested, provided that: (i) the average maturity of the Withdrawn Loan Balance after the Deferral Period equals the original average maturity of such Withdrawn Loan Balance prior to the Principal Payment Deferral request and the final maturity of the Withdrawn Loan Balance after the Deferral Period will not exceed the original final maturity of such Withdrawn Loan Balance prior to the Principal Payment Deferral request; and (ii) such repayment provisions have been agreed between the Borrower and the Bank.

(c) Upon verification by the Bank of the occurrence of the applicable Payment Deferral Trigger, the Bank shall take such actions as necessary to implement the Payment Deferral in accordance with the terms of this Agreement and the CRDC Terms and Conditions. Effective the date of the activation of the Payment Deferral as notified by the Bank to the Borrower, the provisions of this Agreement providing for repayment of the proceeds of the Loan, including the provisions of Schedule 3, shall be deemed to have been modified, as applicable. The Bank shall notify the Borrower of the applicable financial terms of the Loan, including any revised amortization provisions, if applicable, at the time of the Payment Deferral activation or promptly thereafter.

(d) In the event the Interest Payment Deferral is activated, the Borrower shall pay to the Bank interest on any such deferred amount at the rate set forth in Section 2.05 of this Agreement until such time as the deferred amount is fully paid to the Bank. Such interest shall accrue from the respective dates when the relevant amounts are deferred after the Interest Payment Deferral is activated and shall be payable on the remaining Payment Dates after the Deferral Period.

(e) The Payment Deferral shall not be activated, if either of the events specified in Section 7.02 (a) or 7.07 (a) of the General Conditions occurs and is continuing, provided, however, that the Payment Deferral itself, upon its activation, shall not constitute an event described in Sections 7.02 (a) or 7.07 (a) of the General Conditions. Furthermore, the Borrower shall continue to pay all applicable and accrued Loan Payments during the Deferral Period, except the

amounts that have been deferred pursuant to the activated Payment Deferral as described herein.

(f) If the Withdrawn Loan Balance or any interest and other applicable Loan charges, to which the request for Payment Deferral relates, is subject to a Currency Conversion then in effect, the Borrower and the Bank shall agree to amend or terminate such Currency Conversion. In the event of an early termination of such Currency Conversion prior to the end of its Conversion Period as a result of the Payment Deferral, the provisions of Section 4.06 (b) of the General Conditions shall apply.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out Parts 1 and 3.1 of the Project through MoE and cause Parts 2 and 3.2 of the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement and the Project Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of the following, namely that the Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Bank, the ability of the Borrower and the Project Implementing Entity to perform any of their obligations under this Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following, namely that the Borrower, through MoE, and PIE have adopted the Project Operational Manual in a manner and with contents acceptable to the Bank
- 5.02. The Effectiveness Deadline is the date sixty (60) days after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is its Minister of Finance.

6.02. For purposes of Section 10.01 of the General Conditions:

(a) the Borrower's address is:

Ministry of Finance
Stanka Dragojevicica 2
Podgorica, Montenegro; and

(b) the Borrower's Electronic Address is:

Telex:	Facsimile:	E-mail:
+38220242835	+38282224450	mf@mif.gov.me

6.03. For purposes of Section 10.01 of the General Conditions:

(a) the Bank's address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

(b) the Bank's Electronic Address is:

Telex:	Facsimile:
248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED as of the Signature Date.

MONTENEGRO

By

Novica Vuković

Authorized Representative

Name: Novica Vuković

Title: Minister of finance

Date: 18-Dec-2024

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By

C Sheldon

Authorized Representative

Name: CHRISTOPHER SHELDON

Title: Country Manager

Date: 18-Dec-2024

SCHEDULE 1

Project Description

The objectives of the Project are to: (i) improve energy efficiency of public buildings; and (ii) enable the integration of additional renewable energy capacity into the power distribution grid in Montenegro.

The Project consists of the following parts:

Part 1. Improving Energy Efficiency of Public Buildings

Carrying out:

- (i) EE Investments in selected Public Buildings for which achieved energy cost savings will be captured and reinvested in EE Investments using an energy savings capture model;
- (ii) non-EE interventions to ensure the longevity of the EE investments (e.g., painting, replacement of floors) and reinforce elements of the buildings to withstand climate-related hazards;
- (iii) preparation of energy audits, technical specifications/documentation, and bidding/evaluation process; and
- (iv) supervision of implementation, and technical monitoring and verification.

Part 2. Enabling the Integration of Additional Renewable Energy Capacity into the Power Distribution Grid

- 2.1. Carrying out rehabilitation and upgrade of electrical switchgear in elected 100/35 kV substations to improve the reliability of power supply.
- 2.2. Carrying out the replacement of selected old MV/MV and MV/LV transformers with efficient eco-design transformers to reduce technical losses and improve the reliability of power supply.
- 2.3. Carrying out pilot power distribution investments to improve the visibility of the LV network, including the installation of advanced meters and sensors in the LV network together with accompanying systems at CEDIS's headquarters.

Part 3. Technical Assistance and Project Implementation Support

- 3.1. Provision of support to MoE PIU and TSU for *inter alia*: (i) Project management, including Project audits; (ii) preparation of energy audits and detailed technical specifications for additional buildings as deemed necessary; (iii) strengthening capacity of the Eco Fund with regard to EE financing; (iv) citizen engagement

interventions related to the EE investments under the Project; and (v) Project related study tours and Training activities for Project stakeholders.

- 3.2 Provision of support to CEDIS PIU and TSU for *inter alia*: (i) Project management, including Project audits; (ii) preparation of designs, technical specifications for, as well as supervision of, the power distribution investments; (iii) carrying out analyses and studies to sustain and scale up the pilot power distribution investments under Part 2.3 of the Project; (iv) technical assistance for the developing of a smart grid development strategy; (v) citizen engagement and gender interventions related to CEDIS's activities under the Project; and (vi) Project related study tours and Training activities for project stakeholders.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Borrower shall establish, not later than three (3) months from the Effective Date, or at a later date as agreed with the Bank, and maintain throughout the Project implementation, a steering committee (“Inter-Agency Project Steering Committee”): (i) with responsibilities, composition, and resources satisfactory to the Bank; (ii) to be chaired by the MoE representative and comprised of, *inter alia*, representatives from the MoF, the University of Montenegro, representative of CEDIS, and other Borrower’s relevant ministries and government agencies; and (iii) to be responsible for, *inter alia*, overall policy and strategic guidance, institutional coordination, approval of the AWP’s and other Project reports, all as set forth in the Operational Manual.
2. The Borrower shall maintain, throughout the implementation of the Project, the TSU with resources, staffing and fiduciary responsibilities, including *inter alia* procurement and financial management, preparation of quarterly unaudited financial reports and annual audited financial statements, all acceptable to the Bank and as set forth in the Operational Manual.
3. Without limitation upon the provision of paragraphs 1 and 2 above, the Borrower, throughout the implementation of the Project, shall:
 - (i) designate MoE to be responsible for day-to-day implementation of activities under Parts 1 and 3.1 of the Project, and maintain a Project implementation unit (“MoE PIU”) with resources, staffing and responsibilities, all acceptable to the Bank and as set forth in the Operational Manual; and
 - (ii) designate the PIE to be responsible for day-to-day implementation of activities under Parts 2 and 3.2 of the Project and, in this respect, to establish and maintain a PIU (“CEDIS PIU”) with resources, staffing and responsibilities, all acceptable to the Bank and as set forth in the Operational Manual.

B. Subsidiary Agreement.

1. To facilitate the carrying out of the Project Implementing Entity’s Respective Part of the Project, namely Part 2 and Part 3.2 of the Project, the Borrower shall make part of the proceeds of the Loan available to the Project Implementing Entity under

a subsidiary agreement between the Borrower and the Project Implementing Entity, under terms and conditions approved by the Bank (“Subsidiary Agreement”).

2. The Borrower shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Operational Manual.

1. The Borrower, through MoE and PIE, shall adopt and thereafter carry out the Project in accordance with the provisions of a manual (“Operational Manual”) acceptable to the Bank and containing, *inter alia*: (a) the activities and timetable of actions to be carried out under the Project; (b) the respective roles and responsibilities of the institutions involved in the implementation of the Project; (c) the composition and responsibilities of the Project Steering Committee, MoF, MoE PIU, CEDIS PIU and TSU; (d) the fiduciary, technical, environmental and social standards, and operational aspects and procedures for implementation of the Project, including the financial management procedures (budgeting, accounting and internal control, disbursement and flow of funds, financial reporting, annual reports, internal and external audit arrangements procedures); (e) the criteria and procedures for the selection of EE Investments; (f) the rules of operation of the EE savings capture model; (g) the performance indicators of the Project; and (h) the Anti-Corruption Guidelines.
2. The Borrower, through MoE, shall not amend or waive or fail to enforce any provision of the Operational Manual without the Bank’s prior written approval.
3. In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

D. Annual Work Plan.

1. To facilitate the implementation of the activities under Part 1 of the Project, the Borrower, through MoE, shall prepare and submit to the Bank, not later than July 1 in each calendar year during the Project implementation, an Annual Work Plan (AWP) for the following year, including, *inter alia*, the proposed investment plan, its related expenditures and the sources of financing needed to implement the Project activities under the AWP, including the Borrower’s Co-financing for the EE Investments, all as set forth in the Operational Manual and acceptable to the Bank.

2. The Borrower, through MoE, shall afford the Bank a reasonable opportunity to exchange views with them on each such proposed work plan; and thereafter ensure that the Project is implemented with due diligence during said following calendar year in accordance with such work plan as shall have been approved by the Bank.
3. The Borrower, through MoE, shall not make any material change to the approved Annual Work Plan without prior approval in writing by the Bank.

E. Public Buildings Agreements.

1. For purposes of carrying out Part 1 of the Project and prior to the carrying out of each EE Investment, the Borrower, through MoE, shall enter into an agreement (“the Public Building Agreement”) with each selected Public Building under terms and conditions acceptable to the Bank, including, *inter alia*, the relevant Public Building’s obligations to: (a) maintain its respective EE Investment; and (b) share information on energy consumption.
2. The Borrower, through MoE, shall exercise its rights and carry out its obligations under each Public Building Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, terminate, waive or fail to enforce any Public Building Agreement, or any of their provisions.
3. In case of any conflict among the provisions of this Agreement and the provisions of any Public Building Agreement, the provisions of this Agreement shall prevail.

F. Environmental and Social Standards.

1. The Borrower, through MoE, shall, and shall cause the Project Implementing Entity to, ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.
2. Without limitation upon paragraph 1 above, the Borrower, through MoE, shall, and shall cause the Project Implementing Entity to, ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the Bank. To this end, the Borrower shall, and shall cause the Project Implementing Entity to, ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;

- (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
 - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Bank shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
- 3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
- 4. The Borrower, through MoE, shall, and shall cause the Project Implementing Entity to, ensure that:
 - (a) all measures necessary are taken to collect, compile, and furnish to the Bank through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Bank, setting out, *inter alia*: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
 - (b) the Bank is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
- 5. The Borrower, through MoE, shall, and shall cause the Project Implementing Entity to, establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Bank.
- 6. The Borrower, through MoE, shall, and shall cause the Project Implementing Entity to, ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of

conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

7. The Borrower, through MoE, shall and shall cause PIE to, establish not later than thirty (30) days from Effective Date, a Project Grievance Mechanism satisfactory to the Bank.

Section II. Project Monitoring Reporting and Evaluation

The Borrower, through the MoE, shall furnish to the Bank each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of Loan Proceeds

A. General.

Without limitation upon the provisions of Article II of the General Conditions, the Borrower may withdraw the proceeds of the Loan: (a) to finance Eligible Expenditures for the Project; and (b) to pay: (i) the Front-end Fee; and (ii) each Interest Rate Cap or Interest Rate Collar premium; all in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Loan Allocated (expressed in EUR)	Percentage of Expenditures to be financed (inclusive of taxes other than value added tax that is excluded)
(1) Goods and Works for EE Investments under Part 1 of the Project, non-consulting services, and consulting services, Training and Operating Costs under Parts 1 and 3.1 of the Project	9,177,000	100% of the amounts disbursed under each EE Investment as set forth in the AWP
(2) Goods, works, non-consulting services, and consulting services, Training and Operating Costs under Parts 2 and 3.2 of the Project	21,745,500	100%
(3) Front-end Fee	77,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(4) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 4.05 (c) of the General Conditions
TOTAL AMOUNT	31,000,000	

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
 - (a) for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed one hundred thousand Euro (Euro 100,000) may be made for payments made prior to this date, but on or after October 18, 2024, for Eligible Expenditures under Category (2); or
 - (b) under Category (2) until and unless: (i) the Subsidiary Agreement has been duly authorized or ratified by the Borrower and the Project Implementing Entity and is legally binding upon the Borrower and the Project Implementing Entity in accordance with its terms; and (ii) the PIE has established a PIU (“CEDIS PIU”) with resources, staffing and

responsibilities, all acceptable to the Bank and as set forth in the Operational Manual.

3. The Closing Date is April 30, 2030.

SCHEDULE 3

Commitment-Linked Amortization Repayment Schedule

Subject to Section 2.08 of this Agreement, the Borrower shall repay the principal amount of the Loan in accordance with the following table, which sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”).

Level Principal Repayments

Principal Payment Date	Installment Share
On each January 15 and July 15 Beginning January 15, 2027 through July 15, 2034	6.25%

APPENDIX

Section I. Definitions

1. “Annual Work Plan” means the Borrower’s annual work plan approved by the Bank in accordance with the provisions of Section I.D.1 of Schedule 2 to this Agreement, as said work plan may be modified from time to time with the prior written agreement of the Bank.
2. “Anti-Corruption Guidelines” means, for purposes of paragraph 6 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
3. “CEDIS PIU” means the PIU to be established pursuant to Section B.1 (ii) in Schedule 2 to this Agreement and in accordance with Section I.A.3 (ii) in Schedule 2 to this Agreement and the provisions of the POM.
4. “Co-financing” means an amount of Euro two million eight hundred thousand (EUR 2,800,000) to be provided by the Borrower to assist in financing of the EE Investments under Part 1 of the Project through the energy savings capture model by reinvesting monetized energy savings from retrofitted buildings into further EE investments.
5. “CRDC” or “Climate Resilient Debt Clause” means a mechanism established in the Loan Agreement allowing the eligible Borrower to defer certain payments of principal and/or interest (and other Loan charges) during a Deferral Period upon occurrence of an Eligible Event.”
6. “*Crnogorski Elektrodistributivni Sistem*” or “CEDIS” means the Borrower’s DOO “*Crnogorski elektrodistributivni sistem*” Podgorica distribution system operator established pursuant to Articles of Incorporation of the Limited Liability Company Crnogorski Elektrodistributivni Sistem Podgorica Number 10-00-32872” dated June 23, 2016.
7. “Eco Fund” means the Borrower’s Environmental Protection Fund, or any successor thereto acceptable to the Bank.
8. “EE” means energy efficiency.
9. “EE Investment” means the implementation of an energy efficiency measure including: replacement of windows, insulation of walls and roofs (using climate-resilient envelopes), the upgrade of efficient heating and cooling systems, the installation of RSPV systems, lighting upgrades, and a limited amount of

reconstruction work, or any other similar measure set forth in the Project Operational Manual.

10. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated October 18, 2024, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Borrower shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
11. “Environmental and Social Standards” or “ESSs” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Bank.
12. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated December 14, 2018 (last revised on July 15, 2023), with the modifications set forth in Section II of this Appendix.
13. “Inter-Agency Project Steering Committee” means the steering committee referred to in Section I.A.1 in Schedule 2 to this Agreement.
14. “LV” means low voltage.
15. “MoE” means the Borrower’s Ministry of Energy, or its successor acceptable to the Bank.
16. “MoE PIU” means the PIU established within the MoE under Second Energy Efficiency Project (Loan No.8870-ME between the Borrower and the Bank, dated

July 2, 2018) referred to in Section I.A.3 (i) in Schedule 2 to this Agreement, with composition, role and resources set forth in the POM.

17. “MoF” means the Borrower’s Ministry of Finance, or its successor acceptable to the Bank.
18. “MV” means medium voltage.
19. “Operating Costs” means the reasonable incremental expenses incurred by the Borrower and PIE on account of Project implementation and management, including costs related to office equipment and supplies, vehicle operation and maintenance, office rentals, communication and insurance costs, office administration costs, bank charges, utilities, transport costs, travel, per diem and supervision costs, and salaries of the PIUs and TSU’ staff, including Social Charges as applicable (excluding salaries of the Borrower or PIE’s civil servants and/or employees).
20. “Operational Manual” or “POM” means the Project operational manual acceptable to the Bank, prepared and adopted by MoE and the PIE pursuant to Section 5.01 of this Agreement and referred to in Section I.C in Schedule 2 to this Agreement, as said manual may be amended from time to time, with prior approval of the Bank
21. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated September 2023.
22. “Project Implementation Unit” or “PIU” means any of the Project implementation unit established within the MoE (“MoE PIU”) and Project Implementing Entity (“CEDIS PIU”); “Project Implementation Units” or “PIUs” means the plural thereof.
23. “Project Implementing Entity” or “PIE” means *Crnogorski Elektrodistributivni Sistem* or CEDIS.
24. “Project Implementing Entity’s Legislation” means Articles of Incorporation of the Limited Liability Company *Crnogorski Elektrodistributivni Sistem* Podgorica Number 10-00-32872” dated June 23, 2016.
25. “Public Buildings” means a public building owned by the Borrower, including the University of Montenegro and other public administration buildings, selected pursuant to the criteria set forth in the Operational Manual as a beneficiary of EE Investments under Part 1 of the Project.
26. “Public Buildings Agreement” means the agreement set forth in Section I.E of Schedule 2 to this Agreement.

27. “Respective Part of the Project” means Parts 2 and 3.2 of the Project described in Schedule 1 to this Agreement.
28. “RSVP” means Rooftop Solar Photo Voltaic.
29. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.
30. “Social Charges” means any payments or contributions for unemployment benefits, disability insurance, workers’ compensation benefits, retirement (pension or social security) benefits, and life insurance, or any other benefits according to the Borrower’s legislation.
31. “Subsidiary Agreement” means the agreement referred to in Section I.B.1 of Schedule 2 to this Agreement pursuant to which the Borrower shall make part of the proceeds of the Loan available to the Project Implementing Entity.
32. “Training” means expenditures (other than those for consulting services) incurred in connection with study tours, training courses, seminars, workshops and other training activities, not included under goods or service providers’ contracts, including costs of training materials, space and equipment rental, travel, per diem costs for trainees and trainers and trainers’ fees (as applicable), all based on an annual budget satisfactory to the Bank.
33. “TSU” or “Technical Services Unit” means the technical services unit established by the MoF and responsible for the fiduciary (procurement and financial management) and disbursement aspects of the Project, and referred to in Section I.A.2 in Schedule 2 of the Loan Agreement.
34. “University of Montenegro” means the Borrower’s *Univerzitet Crne Gore* established pursuant to Agreement on self-managing association on establishing of University in Titograd, dated April 29, 1974.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 3.01 (*Front-end Fee; Commitment Charge*) is modified to read as follows:

“Section 3.01. *Front-end Fee; Commitment Charge*

(a) The Borrower shall pay the Bank a Front-end Fee on the Loan amount at the rate specified in the Loan Agreement. Except as otherwise provided in Section 2.07 (b), the Borrower shall pay the Front-end Fee not later than sixty (60) days after the Effective Date.

(b) The Borrower shall pay the Bank a Commitment Charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement. The Commitment Charge shall accrue from the date of the Loan Agreement or the date which falls on the fourth anniversary of the date of approval of the Loan by the Bank, whichever is later, to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. Except as otherwise provided in Section 2.07 (c), the Borrower shall pay the Commitment Charge semi-annually in arrears on each Payment Date.”

2. “Section 3.04 (Prepayment) is modified to read as follows:

“Section 3.04. Prepayment

(a) After giving not less than forty-five (45) days’ notice to the Bank, the Borrower may repay the Bank the following amounts in advance of maturity, as of a date acceptable to the Bank (provided that the Borrower has paid all Loan Payments due as at such date): (i) the entire Withdrawn Loan Balance as at such date; or (ii) the entire principal amount of any one or more maturities of the Loan. Any partial prepayment of the Withdrawn Loan Balance shall be applied in the manner specified by the Borrower, or in the absence of any specification by the Borrower, in the following manner: (A) if the Loan Agreement provides for the separate amortization of specified Disbursed Amounts of the principal of the Loan the prepayment shall be applied in the inverse order of such Disbursed Amounts, with the Disbursed Amount which has been withdrawn last being repaid first and with the latest maturity of said Disbursed Amount being repaid first; and (B) in all other cases, the prepayment shall be applied in the inverse order of the Loan maturities, with the latest maturity being repaid first.

(b) If, in respect of any amount of the Loan to be prepaid, a Conversion has been effected and the Conversion Period has not terminated at the time of prepayment, the provisions of Section 4.06 shall apply.”

3. New Section 4.06 is introduced as follows in the General Conditions prior to 2017:
“Section 4.06. *Early Termination*.

Except as otherwise provided in the Conversion Guidelines, upon the early termination of any Conversion by either the Bank, or the Borrower: (i) the Borrower shall pay a transaction fee for the early termination, in such amount or at such rate as announced by the Bank from time to time and in effect at the time of the early termination of the Conversion; and (ii) the Borrower or the Bank shall pay an Unwinding Amount, if any, for the early termination (after setting off any amounts owed by the Borrower to the Bank), in accordance with the Conversion Guidelines. Transaction fees provided for under this paragraph and any Unwinding Amount payable by the Borrower pursuant to this paragraph shall be paid not later than sixty (60) days after the effective date of the early termination.”

4. The following definitions are inserted in the Appendix in alphabetical order as paragraphs [#]-[#], and the remaining definitions and paragraphs (as the case may be) renumbered accordingly:

“[#]. “CRDC” or “Climate Resilient Debt Clause” means a mechanism established in the Loan Agreement allowing the eligible Borrower to defer certain payments of principal and/or interest (and other Loan charges) during a Deferral Period upon occurrence of an Eligible Event.”

“[#]. “CRDC Terms and Conditions” means the Climate Resilient Debt Clause terms and conditions, as issued and revised from time to time, by the Bank, in effect at the time of the Payment Deferral request.”

“[#]. “Deferral Period” means the period of up to 24 (twenty-four) months, during which the Payment Deferral is activated pursuant to the provisions of the Loan Agreement.”

“[#]. “Eligible Event” has the meaning given to such term in the CRDC Terms and Conditions.”

“[#]. “Interest Payment Deferral” means a one-time temporary deferral of payment of Interest and other applicable Loan charges during a Deferral Period, requested by the Borrower and activated by the Bank pursuant to the provisions of the Loan Agreement.”

“[#]. “Payment Deferral” means a Principal Payment Deferral and/or Interest Payment Deferral, requested by the Borrower and activated by the Bank pursuant to the provisions of the Loan Agreement.”

“[#]. “Payment Deferral Triggers” means the set of primary and secondary triggers based on the Eligible Events established by the Bank in the CRDC Terms and Conditions, which, upon verification by the Bank in accordance with the CRDC Terms and Conditions, serve as the basis for an activation of a Payment Deferral.”

“[#]. “Principal Payment Deferral” means the one-time temporary deferral of repayments of the Withdrawn Loan Balance during a Deferral Period, requested by the Borrower and activated by the Bank pursuant to the provisions of the Loan Agreement.”

5. In paragraphs originally numbered 75 and 81 of the Appendix, the term “Payment Date” is modified to read as follows:

“75. “Loan Payment” means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any surcharge, any transaction fee for a Conversion or early termination of a Conversion, any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower.”

“81. “Payment Date” means each date specified in the Loan Agreement occurring on or after the date of the Loan Agreement on which interest, Commitment Charge and other Loan charges and fees (other than the Front-end Fee) are payable, as applicable.”

6. Definitions in paragraphs 4 (Allocated Excess Exposure Amount); 53 (Exposure Surcharge); 99 (Standard Exposure Limit) and 105 (Total Exposure) of the Appendix are deleted in their entirety and the subsequent paragraphs are renumbered accordingly.