

Public Disclosure Authorized

OFFICIAL DOCUMENTS

LOAN NUMBER 8870-ME

Loan Agreement

(Second Energy Efficiency 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 six million Euro, (€6,000,000), 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 Fixed 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 May 15 and November 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project through MoE with the assistance of MoH, TSU and the Health Care Facilities, all in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Condition of Effectiveness consists of the following: namely, that the Operational Manual has been adopted in a manner and with contents acceptable to the Bank.

4.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

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

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

(a) the Borrower's address is:

Ministry of Finance
Stanka Dragojevicica 2
81000 Podgorica
Montenegro

and

(b) the Borrower's Electronic Address is:

Facsimile:	E-mail:
382 20 224 450	mf@mif.gov.me

5.03. 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

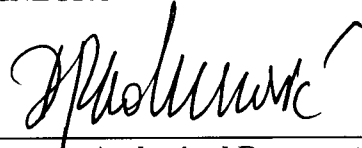
and

(b) the Bank's Electronic Address is:

Telex:	Facsimile:	E-mail:
248423(MCI) or 64145(MCI)	1-202-477-6391	esalinas@worldbank.org

AGREED as of the Signature Date.

MONTENEGRO

By 

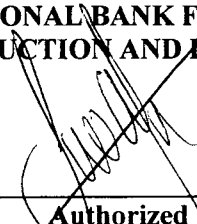
Authorized Representative

Name: JARKO RADUJOVIC

Title: MINISTER OF FINANCE

Date: 02. July 2018

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By 

Authorized Representative

Name: EMANUEL SALINAS

Title: COUNTRY MANAGER

Date: 02. July 2018

SCHEDULE 1

Project Description

The objectives of the Project are to improve energy efficiency in health sector buildings and to develop and demonstrate a sustainable financing model.

The Project consists of the following parts:

Part 1. EE Investments in Health Sector Buildings

1. Carrying out EE Investments in selected Health Care Facilities, for which achieved energy cost savings will be captured and reinvested in EE Investments using an energy savings capture model.
2. Providing technical services related to the EE Investments mentioned in Part 1.1, including, *inter alia*: (i) the carrying out of energy audits; (ii) the design of EE investments; (iii) the carrying out of the revision of technical documentation; (iv) the carrying out of works supervision; (v) technical and social monitoring before and after the EE Investments; and (vi) the issuance of energy performance certificates for retrofitted facilities.
3. Installing energy consumption monitoring equipment in Health Care Facilities.

Part 2. Technical Assistance

1. Providing technical assistance to support the development of an EE investment and implementation framework that would allow to sustain and scale-up EE improvements.
2. Carrying out EE capacity building activities for key Project stakeholders including, *inter alia*: (i) local energy service providers including energy audit, design, construction and building certification companies; (ii) energy managers of retrofitted facilities; (iii) Borrower's representatives; and (iv) other key stakeholders.
3. Carrying out gender-informed communication and public outreach activities on EE.

Part 3. Project Implementation Support

Supporting the effective implementation and management of the Project through, *inter alia*: (i) the financing of selected PIU staff as set forth in the Operational Manual; (ii) the carrying out of procurement and financial management functions by the TSU; and (iii) the financing of Operating Costs and financial audits.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. For purposes of ensuring Project oversight and coordination, the Borrower, through MoE shall maintain, throughout the implementation of the Project, a steering committee (“Project Steering Committee”) with responsibilities and composition, including, *inter alia*, representatives from the MoE, MoH and MoF, all as set forth in the Operational Manual.
2. For purposes of carrying out the Project, the Borrower, through MoE shall, throughout the implementation of the Project maintain a Project implementation unit (“PIU”) with resources, staffing and responsibilities, all acceptable to the Bank and as set forth in the Operational Manual.
3. The Borrower shall maintain, throughout the implementation of the Project the TSU with resources, staffing and responsibilities, all acceptable to the Bank and as set forth in the Operational Manual.
4. For purposes of carrying out the Project and starting on November 30, 2020, the Borrower shall, not later than November 30 of each year during Project implementation, prepare and submit to the Bank 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, all as set forth in the Operational Manual and acceptable to the Bank.
5. For purposes of carrying out Part 1.1 of the Project, the Borrower shall, not later than December 31, 2021, define an EE investment and implementation framework that would allow to sustain and scale-up EE improvements, with contents acceptable to the Bank.

B. Operational Manual

1. The Borrower, through MoE 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, PIU and TSU; (d) the fiduciary, technical, environmental and social safeguards, 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 ESMF and 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.

C. Health Care Facility 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 MoH and MoE, shall enter into an agreement (the Health Care Facility Agreement) with each Health Care Facility under terms and conditions acceptable to the Bank, including, *inter alia*, the relevant Health Care Facility's obligations to: (a) maintain its respective EE Investment; and (b) share information on energy consumption.
2. The Borrower, through MoH, shall exercise its rights and carry out its obligations under each Health Care Facility 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 Health Care Facility Agreement, or any of their provisions.
3. In case of any conflict among the provisions of this Agreement and the provisions of any Health Care Facility Agreement, the provisions of this Agreement shall prevail.

D. Safeguards

1. The Borrower, through MoE, shall, and shall cause the Project to be carried out in accordance with the ESMF. Except as otherwise agreed by the Bank, the Borrower, through the MoE shall not amend, abrogate, waive, or fail to enforce the ESMF or any of its provisions.
2. The Borrower, through MoE, shall ensure that: (i) the terms of reference for any consultancy required under the Project shall be satisfactory to the Bank following its review thereof and (ii) to that end, such terms of reference shall duly incorporate the requirements of the Bank's Safeguards Policies then in force, as applied to the advice conveyed through such technical assistance, including the public disclosure and consultation of the resulting environmental and social impact assessments in accordance with the Bank's Safeguards Policies.

Section II. Project Monitoring, Reporting and Evaluation

The Borrower shall furnish to the Bank each Project Report not later than one month 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 and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to: (a) finance Eligible Expenditures; and (b) pay: (i) the

Front-end Fee and (ii) each Interest Rate Cap or Interest Rate Collar premium; 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)
(1) Goods, works, non-consulting services, consulting services (including audits), Operating Costs and Training for the Project	5,985,000	100% until December 31, 2020 and, starting from January 1, 2021, such percentage of Eligible Expenditures set forth by the respective AWP in accordance with the provisions set forth in Section III.B.2 of this Schedule
(2) Front-end Fee	15,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(3) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 4.05 (c) of the General Conditions
TOTAL AMOUNT	6,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed €300,000 may be made for payments made prior to this date but on or after the date falling twelve months prior to the Signature Date, for Eligible Expenditures.

2. Notwithstanding the foregoing provisions of the table under Part A of this Section, the sum of the Bank's financing percentage of Eligible Expenditures under the loan combined with the financing percentage provided by the Borrower shall equal 100% of each Eligible Expenditure.

3. The Closing Date is December 31, 2023.

SCHEDULE 3

Commitment-Linked Amortization Repayment Schedule

The following table 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”).

Commitment Principal Repayments

Principal Payment Date	Installment Share
November 15, 2023	4.32%
May 15, 2024	4.38%
November 15, 2024	4.45%
May 15, 2025	4.52%
November 15, 2025	4.59%
May 15, 2026	4.65%
November 15, 2026	4.72%
May 15, 2027	4.79%
November 15, 2027	4.87%
May 15, 2028	4.94%
November 15, 2028	5.01%
May 15, 2029	5.09%
November 15, 2029	5.16%
May 15, 2030	5.24%
November 15, 2030	5.32%
May 15, 2031	5.40%
November 15, 2031	5.48%
May 15, 2032	5.56%
November 15, 2032	5.65%
May 15, 2033	5.86%

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 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.
2. “AWP” or “Annual Work Plan” means any of the Borrower’s annual work plans referred to in Section I.A.4 of Schedule 2 to this Agreement. Each AWP may be amended from time to time in a manner acceptable to the Bank.
3. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
4. “EE” means energy efficiency.
5. “EE Investment” means the implementation of an energy efficiency measure including: insulation, heating and cooling system upgrades, lighting, domestic hot water systems, or any other measure set forth in the Operational Manual.
6. “ESMF” means the Borrower’s environmental and social management framework published on April 2, 2018, satisfactory to the Bank, consisting of a set of mitigation, monitoring, and institutional measures (including measures for pest management and aimed to avoid any negative impact on physical cultural resources), required for the Project and to be taken to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, as well as actions needed to implement said measures, including the measures and information required for the preparation of site-specific environmental management plans, as it may be amended from time to time in a manner acceptable to the Bank.
7. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated July 14, 2017.
8. “Health Care Facility” means a public health care facility owned by the Borrower, selected pursuant to the criteria set forth in the Operational Manual.
9. “Health Care Facility Agreement” means the agreement set forth in Section I.C.1. of Schedule 2 to this Agreement.
10. “MoE” means the Borrower’s Ministry of Economy, or its successor acceptable to the Bank.
11. “MoF” means the Borrower’s Ministry of Finance, or its successor acceptable to the Bank.
12. “MoH” means the Borrower’s Ministry of Health, or its successor acceptable to the Bank.

13. “Operating Costs” means the incremental expenses incurred on account of the Project management, monitoring and evaluation, which may include office supplies, vehicle maintenance (including fuel costs), office and equipment rental and maintenance, printing and publications, local field trips and study tours expenses (including *per diem*), reasonable bank charges, and other miscellaneous costs directly associated with the Project implementation, all based on periodic budgets acceptable to the Bank.
14. “Operational Manual” means the manual set forth in Section I.B.1 of Schedule 2 to this Agreement, as it may be amended from time to time in a manner acceptable to the Bank.
15. “PIU” means the Borrower’s Project implementation unit set forth in Section I.A.2 of Schedule 2 to this Agreement.
16. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017.
17. “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.
18. “Training” means Project related study tours, training courses, seminars, workshops, and other training activities not included under goods or service providers’ contracts, including training materials, space and equipment rental, travel, accommodation and *per diem* costs of trainees and trainers, trainers’ fees, and other training related miscellaneous inputs, as approved by the Bank.
19. “TSU” or “Technical Services Unit” means the technical service unit established by the MoF and responsible for the fiduciary (procurement and financial management) and disbursement aspects of the Project.