(Operation Number 54039)

**GUARANTEE AGREEMENT**

**EPS Liquidity Loan**

between

**THE REPUBLIC OF SERBIA**

and

**EUROPEAN BANK**

**FOR RECONSTRUCTION AND DEVELOPMENT**

Dated 15th March 2023

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GUARANTEE AGREEMENT

**AGREEMENT** dated 15 March 2023 between **THE REPUBLIC OF SERBIA** (the "Guarantor") and **EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT** (the "Bank").

**PREAMBLE**

**WHEREAS,** the Guarantor and Javno Preduzeće Elektroprivreda Srbije Beograd have requested assistance from the Bank in the financing of part of the Project;

**WHEREAS,** pursuant to a loan agreement dated the date hereof between Javno Preduzeće Elektroprivreda Srbije Beograd as Borrower and the Bank (the "Loan Agreement" as defined in the Standard Terms and Conditions), the Bank has agreed to make a loan to the Borrower in the amount of EUR300,000,000 (three hundred million Euros), subject to the terms and conditions set forth or referred to in the Loan Agreement, but only on the condition that the Guarantor guarantees the obligations of the Borrower under the Loan Agreement as provided in this Agreement; and

**WHEREAS,** the Guarantor, in consideration of the Bank entering into the Loan Agreement with the Borrower, has agreed to guarantee such obligations of the Borrower.

**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, subject, however, to the modifications set out in the Loan Agreement.

## Section 1.02. Definitions

Wherever used in this Agreement (including the Preamble), 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 and the Loan Agreement have the respective meanings given to them therein and the following term has the following meaning:

"Guarantor's Authorised

Representative" means the Deputy Prime Minister and Minister of Finance of the Guarantor.

## Section 1.03. Interpretation

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

# ARTICLE II - GUARANTEE; OTHER OBLIGATIONS

## Section 2.01. Guarantee

The Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of any and all sums due under the Loan Agreement, whether at stated maturity, by acceleration or otherwise, and the punctual performance of all other obligations of the Borrower, all as set forth in the Loan Agreement.

## Section 2.02. Project Support

Whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for the carrying out of the Project, the Guarantor shall promptly take measures satisfactory to the Bank to provide the Borrower, or cause the Borrower to be provided, with such funds as are needed to meet such expenditures and requirements.

## Section 2.03. Other Obligations

(a) The Guarantor shall ensure that appropriate state budget allocations are made and maintained in sufficient amounts to cover the payment obligations arising under the Loan Agreement and this Agreement in a timely manner, so as to ensure the punctual performance of the obligations under the Loan Agreement and this Agreement.

(b) The Guarantor shall procure that the Borrower timely performs all of its obligations under the Loan Agreement.

(c) Where any action, condition or matter required to be performed, complied with, achieved or satisfied under the Loan Agreement requires the taking of any action by, or the approval of, the Guarantor as the sole shareholder of the Borrower, the Guarantor shall promptly take that action, or give that approval and, without prejudice to the generality of the foregoing, the Guarantor shall take all action available to it as the sole shareholder of the Borrower to ensure that the corporate governance objectives set out in Section 3.01(d)(1) and Section 3.01(d)(2)(D) of the Loan Agreement are implemented in a timely manner.

(d) As soon as practicable following the execution of the Loan Agreement and the Guarantee Agreement, the Guarantor shall announce Serbia’s commitment to phase out the use of coal as soon as possible and in any case not later than by 31 December 2050 and this shall be reflected in new or updated versions of national strategic documents.

(e) The Guarantor shall have committed to working on establishing thermal power plant decommissioning milestones by 31 December 2030.

(f) The Guarantor shall ensure that the Auction 3-Year Plan is issued.

(g) The Guarantor shall adopt a regulatory framework for renewable energy auctions in line with the “Clean Energy Package” adopted by the European Commission and best European practice.

(h) The Guarantor shall ensure that Serbia’s first renewable energy auction is launched for not less than 400 MW of wind power capacity, in line with a process and timetable to be agreed between the Guarantor working in good faith with the technical advisory team advising the Ministry of Mining and Energy as part of EBRD’s programme supporting the implementation of renewable energy auctions in Serbia.

(i) The Guarantor shall support any legal and regulatory initiatives (including the adoption of changes to legislation) required to support the development of the intraday electricity market and for electricity market coupling in order to increase market liquidity and competitiveness.

(j) The Guarantor shall adopt a NECP by 31 December 2023, which shall provide for a target of over 45% of renewables in Serbia’s electricity generation mix by 31 December 2030.

(k) The Guarantor shall support the decarbonisation of the Serbian economy by recognizing significant potential for improvement of energy efficiency in Republic of Serbia through improvement of energy efficiency and promoting efficient use of energy sources, in particular (but without limitation), by supporting activities aimed at building and strengthening capacities of the Administration for Financing and Promoting Energy Efficiency for management of European Union funds, development and promotion of support schemes for energy efficiency investments at higher scale with specific focus on building renovation.

## Section 2.04. Effectiveness of the Guarantee

This Agreement shall become effective in accordance with Article 9.01 of the Standard Terms and Conditions.

# ARTICLE III - MISCELLANEOUS

## Section 3.01. Notices

Notices shall meet the language requirements of Section 10.04 of the Standard Terms and Conditions. The following addresses are specified for purposes of Section 10.01 of the Standard Terms and Conditions, except that any notice shall be deemed to be delivered if by hand, mail, or in pdf or similar format by electronic mail:

For the Guarantor:

Ministry of Finance of the Republic of Serbia

20 Kneza Miloša Street

11000 Belgrade

Serbia

Attention: Deputy Prime Minister and Minister of Finance

Email: [kabinet@mfin.gov.rs](mailto:kabinet@mfin.gov.rs)

For EBRD:

European Bank for Reconstruction and Development

Five Bank Street

London E14

United Kingdom

Attention: Operation Administration Department / Operation No. 54039

Telephone: +44 20 7338 6000

Email: [oad@ebrd.com](mailto:oad@ebrd.com)

## Section 3.02. Legal Opinion

For purposes of Section 9.03(b) of the Standard Terms and Conditions and in accordance with Section 6.02 of the Loan Agreement, the opinion of counsel shall be given on behalf of the Guarantor by the Ministry of Justice.

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

**REPUBLIC OF SERBIA**

By: SINIŠA MALI ­­­­­­­

Name: DEPUTY PRIME MINISTER

Title: AND MINISTER OF

FINANCE

**EUROPEAN BANK**

**FOR RECONSTRUCTION AND DEVELOPMENT**

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

Name: MATTEO COLANGELI

Title: DIRECTOR, REGIONAL HEAD OF WESTERN BALKANS