(Operation Number: 50083)

**ANEXA NR.1 LA HOTĂRÂREA CONSILIULUI LOCAL AL MUNICIPIULUI CRAIOVA NR.141/2024**

 **PREŞEDINTE DE ŞEDINŢĂ,**

 **Lucian Costin DINDIRICĂ**

**PRE-FINANCING AGREEMENT**

**Re: ROMANIA / GrCF2 W2: Craiova Urban Rehabilitation –Loan Increase Agreement**

This Pre-financing Agreement (the “**Agreement**”) is made on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ofFebruary2024, by and between:

1. **The Municipality of Craiova** (the “**City**”), having its offices at No. 7 Alexandru Ioan Cuza Street, 200585, Craiova, România

and

(2) **The European Bank for Reconstruction and Development** having its headquarters at 5 Bank St, London E14 4BG, United Kingdom (“**EBRD**” or the “**Bank**”).

(hereafter collectively referred to as the “**Parties**” and “**Party**” shall mean any one of them).

**WHEREAS:**

1. By a loan agreement between the Bank and the City dated4December 2018 (the “**Original Signing Date**”), as further amended on 22 October 2020, and as amended from time to time (being the “**Existing Loan Agreement**”), the Bank agreed to provide to the City a loan of up to EUR 24.2million to finance:(i) the rehabilitation of a pool of public buildings and (ii) partial replacement of the City’s public transport buses (the “**Existing Project**”).
2. The City is seeking an additional loan of up to EUR 14 million **(** the **“Additional** **Loan**”)for the buildings’ rehabilitation investment componentof the Project, due to increased prices of materials, equipment and delivery works and to changes in the construction law,required in order to enable the City of Craiova to complete the Existing Project (the “**Project Extension**”). The project extension shall be done through an Amendment and Restatement of the Existing Loan Agreement (“**Amendment and Restatement Agreement**” or “**Loan IncreaseAgreement**”).
3. The Bank is considering participating in the Project Extension through the provision of long term financing to the City in the amount of up to EUR 14 million.
4. The Parties wish to set forth in this Agreement the basis on which they will work together in preparing the proposed financing for the Project Extension.

**THEREFORE, THE PARTIES HAVE AGREED AS FOLLOWS**:

1. The Bank confirms its interest in considering participating in the ProjectIncrease (subject to Section 7 below) through the provision of the additional long term financing in the form of a senior loan to the City in the overall amount of up to EUR 14million (the “**LoanIncrease**”).
2. The Loan Increasewill be developed under the Green Cities 2 – Window II Framework (“**GrCF2W2**” or the “**Framework**”) established by the Bank to support cities to identify, benchmark, prioritise and invest in Green City measures to improve urban environmental performance. The GrCF2W2 Framework was approved by the Bank’s Board of Directors in October 2018.
3. The terms and conditions of the Loan Increasewill be negotiated and finalised after appraisal of the ProjectIncrease by the Bank. However, the following indicative terms are currently anticipated:
4. **Currency**: EUR;
5. **Amount**: an increase of up to EUR 14million, resulting in a total cumulative loan amount (including the Existing Loan )of up to EUR 38.2 million;
6. **Maturity**: up to 15 years;
7. **Commitment Period**: 3 years from the date of signing of the Loan Increase Agreement to be entered into between the City and the Bank.
8. **Repayment Period**: 24 equal semi-annual instalments;
9. **Margin/ Interest Rate**:margin of 1.25% over six-month EURIBOR (zero floor). The ultimate Margin grid will be negotiated and will be dependent on thelevel of security, financial covenants and market conditions.
10. **Up-front fee**: 0.5% of the principal amount of the Additional Loan.
11. **Commitment fee**: (i) 0.00% p.a. of the undisbursed amount of the Additional Loan for a period of 90 days from the date of the Loan Increase Agreement; (ii) 0.15% p.a. of the undisbursed amount of the Additional Loan for the next 12 months; and (3) 0.5% p.a. of the undisbursed amount of the Additional Loan thereafter;
12. **Prepayment fee**: aligned to the Existing Loan Agreement: 3% of prepaid amounts for a period of 4 years, i.e. ; 2% of prepaid amounts if prepayment occurs between 4 years and 5 years; 1% of prepaid amounts if prepayment occurs after 5 years.
13. **Financing Agreements to include**:
* The Loan IncreaseAgreement;
* Amendment of theexisting security agreement;
* Amendment of the existing debt service reserve account agreement
* Any other agreements entered into between the City and the Bank and notices, certificates and applications issued by the City to the Bank;
1. **Procurement**: Procurement would be carried out in accordance with the Bank’s Procurement Policies and Rules;
2. **Permitted indebtedness**: without prior written consent of the Bank, the City shall not incur, assume or permit to exist any financial debt except that provided under the Loan Increase Agreement;
3. **Key financial indicators** for the City will include Debt Service Coverage Ratio, Debt level ratio and Debt Service to Eligible Revenues ratio, aligned to financial indicators in the Existing Loan Agreement;
4. **The City agrees to comply with EBRD policies and requirements** applicable to all recipients of EBRD funding including environmental and social compliance.
5. The Bank confirms its willingness to co-operate with the City to advance the preparation of the contemplated financing, including by mobilising staff and external consultants, as long as the ProjectIncrease shall be supported by the Bank’s management.
6. The Bank will seek to mobilise technical cooperation grant funds administered by the Bank, subject to the approval of the Bank’s management, for the purposes of reviewing the project costs, including:

(a) Pre-signing: up toEUR 20,000 for the review of the costs to justify the extension of the contract amount after tender.

1. The Bank confirms its willingness to co-operate with the City to advance the preparation of

the contemplated financing, including by mobilising staff and external consultants, as long as

the Project shall be supported by the Bank’s management.

1. The City will be obliged to reimburse the Bank for the fees and expenses of up to EUR 12,000 of the outside legal counsel retained by the Bank incurred in connection with the preparation of the Bank’s financing and the preparation, drafting, translation, negotiation and review of the financing documentation and any other legal document related to the financing documentation (the “**Expenses**”). The Expenses shall be reimbursed not later than within 30 days after the Bank provides the City with documentation confirming that such Expenses have been incurred.
2. The City’s contribution to theProjectIncrease preparation shall include:
3. The City shall pay for its own internal costs relating to the preparation of the ProjectIncrease;
4. The City shall provide free of charge support to any consultants selected by the Bank to work on the ProjectIncreaseas well as all documents, materials and other information that may be relevant to their work.
5. The Preamble, and sections 1, 2 and 3 of this Agreement reflect only the expectations and current intentions of the Parties in relation to the Project Extension and do not impose or constitute any legally binding obligations on the Parties to provide, or to accept, financing, as the case may be. Any financing will be agreed between the Parties. In particular, it will be conditional on the findings of the Project Extension appraisal and shall be subject to negotiation of an overall financing plan and Project Extension arrangements satisfactory to the Bank, approval by the Bank’s Management and Board of Directors, negotiation and execution of appropriate financing documentation and fulfilment of applicable conditions precedent. Except as otherwise provided in this Section 7, this Agreement provides for legally binding obligations of the Parties which will become immediately effective upon execution of this Agreement.
6. Any amendment to, or waiver by the Bank of any terms or conditions of, or consent given by the Bank under, this Agreement (including under this Section 8) shall be in writing, signed by the Bank and, in the case of an amendment, by the City.
7. Any notice, application or other communication to be given or made under this Agreement to any Party to this Agreement shall be in writing. Except as otherwise provided in this Agreement, such notice, application or communication shall be deemed to have been duly given or made when its is delivered by hand, airmail, or mail transmission to the party to which it is required or permitted to be given or made at such party’s address herein firstly mentioned or at such other address as such party designates by notice to the party giving or making such notice, application or other communication.
8. This Agreement shall be governed by the laws of England. The LoanIncreaseAgreement to be executed between the Bank and the City will be governed by the laws of England.
9. The City shall not from the date of this Agreement until the date of signing of the LoanIncreaseAgreement enter into any negotiations with any bank or financial institution for the purpose of raising any financing in the international debt market without the Bank’s prior written consent.
10. Nothing in this Agreement shall be construed as a waiver, renunciation or other modification of any immunities, privileges or exemptions of the Bank accorded under the Agreement Establishing the European Bank for Reconstruction and Development, international convention or any applicable law.
11. The City represents and warrants that this Agreement is a commercial rather than a public or governmental act and that the Cityis not entitled to claim immunity from legal proceedings with respect to itself or any of their assets on the grounds of sovereignty or otherwise under any law or under any jurisdiction where an action may be brought for the enforcement of any of the obligations arising under or relating to this Agreement.
12. The Bank is sometimes the recipient of communications, including complaints, from civil society on environmental, safety, social, and other aspects of projects, both before Board approval and during project implementation. The Bank will share this external communication and its responses with the City and any potential and existing co-financers, insofar as any of this information is not covered by any confidentiality agreement, in order to ensure consistency in approach and messages to the public. The Bank encourages the City and any co-financers to likewise share external communication, including complaints, and their responses with the Bank.
13. This Agreement is drafted in 6 (six) counterparts, 3 (three) in English and 3 (three) in Romanian, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. The English version shall be the governing version.
14. This Pre-financing Agreement supersedes and replaces all prior agreements and understandings, written and oral, between the City and the Bank on the matters to which it pertains, including the Pre-Financing Agreement dated 29th June 2020.

**IN WITNESS WHEREOF**, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names as of the date first above written.

For the **Municipality of Craiova**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Mrs. Lia-Olguta Vasilescu**

**Mayor**

For the **EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT**

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**Mrs. Sue Barrett**

**Director, Sustainable Infrastructure Group – Infra EMEA**