

SERBIA: SCALING UP RESIDENTIAL CLEAN ENERGY (SURCE) PROJECT

A project financed by the World Bank

Project Operations and Grant Manual

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ABBREVIATIONS AND ACRONYMS

Acronym	Meaning
CFU	Central Fiduciary Unit
E&S	Environmental & Social
EE	Energy Efficiency
EEA	Energy Efficiency Administration (Administration for Energy Efficiency Financing and Promotion)
ESCO	Energy Service Company
ESCP	Environmental and Social Commitment Plan
ESMF	Environmental and Social Management Framework
ESRS	Environmental and Social Review Summary
ESS	Environmental and Social Standard
EU	European Union
EVP	Energy Vulnerable Program
FM	Financial Management
FY	Fiscal Year
GHG	Greenhouse Gas
GoS	Government of Serbia
GRM	Grievance Redress Mechanism
IBRD	International Bank for Reconstruction and Development
IFI	International Financial Institution
LSGU	Local Self-Government Unit (including municipalities, cities, and cities with municipalities)
M&E	Monitoring & Evaluation
MAB	Multi-Apartment Building
MCTI	Ministry of Construction, Transport, and Infrastructure
MoEP	Ministry of Environmental Protection
MoF	Ministry of Finance
MoME	Ministry of Mining and Energy
NBS	National Bank of Serbia
OHS	Occupational Health and Safety
PDO	Project Development Objective
PIU	Project Implementation Unit
POGM	Project Operations and Grant Manual
PPSD	Project Procurement Strategy Document
PSC	Project Steering Committee
PV	Photovoltaics
RE	Renewable Energy
RSD	Serbian Dinar
SEP	Stakeholder Engagement Plan
SFH	Single-Family House
SH	Sustainable Heating
SURCE	Scaling Up Residential Clean Energy
TA	Technical Assistance
WB	World Bank

1. INTRODUCTION

1.1. Scope and Purpose

The World Bank (hereinafter: “Bank”) and the Republic of Serbia have agreed for an **€ 44,9 million loan (US\$ 50 million equivalent)** to finance the **Scaling up Residential Clean Energy (SURCE) Project** (hereinafter: “Project”). The Bank will make the loan available to the Republic of Serbia as per conditions set forth in the Loan Agreement (hereinafter: LA) signed on November, 11, 2022. The Law on the Ratification of this LA has been published in the “Official Gazette of Republic of Serbia” – International Agreements, **6/22**. The Project became effective on 21.12, 2022.

As defined in the project documents, the Project Closing Date is November 30, 2027 which is final deadline to meet the requirements for withdrawal of the loan proceeds and fulfilment of the consultants’ contractual obligations.

This Project Operations and Grant Manual (hereinafter:POGM) defines Project policies and procedures including implementation rules, management, roles and responsibilities of the institutions involved in the implementation, guidelines, specific development plans, etc. including:

- (a) Detailed description of all Project activities, their sequencing and the prospective timetable and benchmarks;
- (b) Project administrative, financial, accounting, auditing, procurement and disbursement procedures, including all relevant standard documents; and
- (c) Protocols and operative procedures of the policy planning, monitoring and coordination framework pertaining to the Project.

Rules and procedures described herein are aligned with the provisions of the LA and other documents governing the Project implementation. In case of any discrepancy between the terms of the POGM and the terms of the LA, the terms set forth in LA shall prevail, and POGM shall be adjusted accordingly.

The POGM is subject to occasional revisions and modifications, in consultation and in agreement with the Bank. The Project Implementation Unit (PIU), in collaboration with other institutions involved in the Project implementation, will review the POGM periodically and suggest possible changes, as/if necessary, including the adjustment of project-related activities and expected results.

All Project beneficiaries, by adoption of the POGM are committed to its implementation and proactive involvement in improving the procedures provided herewith.

1.2. Project Overview

Project development objective (PDO) is to increase the uptake of energy efficiency, sustainable heating, and rooftop solar PV by households in participating local self-government units in Serbia.

PDO-level results indicators:

- Projected lifetime energy savings stemming from energy efficiency and sustainable heating investments in residential buildings (target: 20,000,000,000 MJ).

- Number of households that have implemented energy efficiency and sustainable heating investments (target: 25,000 households), of which:
 - i. Number of households benefiting from MoME's social inclusion top-up grants (target: 2,500 households).
 - ii. Number of households switching away from traditional solid fuel heating solutions (target: 3. 000 households).
- Renewable energy capacity installed (through rooftop solar PV installations; target: 4 MW).

Table 1: Project development Objective Indicators:

Indicator Name	PBC	Baseline	End Target
Increased uptake of energy efficiency and sustainable heating by households in participating LSGUs			
Projected energy or fuel savings (CRI, Mega Joules (MJ))		0.00	20,000,000,000.00
Number of households that have implemented energy efficiency and sustainable heating investments (Number)		0.00	25,000.00
Number of households benefiting from MoME's social inclusion top-up grants (Number)		0.00	2,500.00
Number of households switching away from traditional solid fuel heating solutions (Number)		0.00	3,000.00
Increased uptake of rooftop solar PV by households in participating LSGUs			
Generation capacity of energy constructed or rehabilitated (CRI, Megawatt)		0.00	4.00
Renewable energy generation capacity (other than hydropower) constructed under the project (CRI, Megawatt)		0.00	4.00

Table 2: Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	End Target
Financing energy efficiency, sustainable heating, and solar PV investments in residential buildings			
Share of program beneficiaries that report being satisfied with the thermal comfort levels of their house (Percentage)		0.00	75.00
Net greenhouse gas (GHG) emissions (CRI, Metric tons/year)		0.00	150,000.00
Private sector capital mobilized through household contributions (including own funds and commercial loans) (Amount(USD))		0.00	50,000,000.00
Technical assistance and implementation support			
Share of beneficiaries reporting satisfaction with consultation process under the program (Percentage)		0.00	75.00
Share of Serbian municipalities participating in the program (Percentage)		40.00	80.00
Number of capacity building workshops provided (Number)		0.00	20.00
Share of female home-owning beneficiaries of the clean energy and energy efficiency grants program (Percentage)		35.00	41.00

The SURCE project consists of two components:

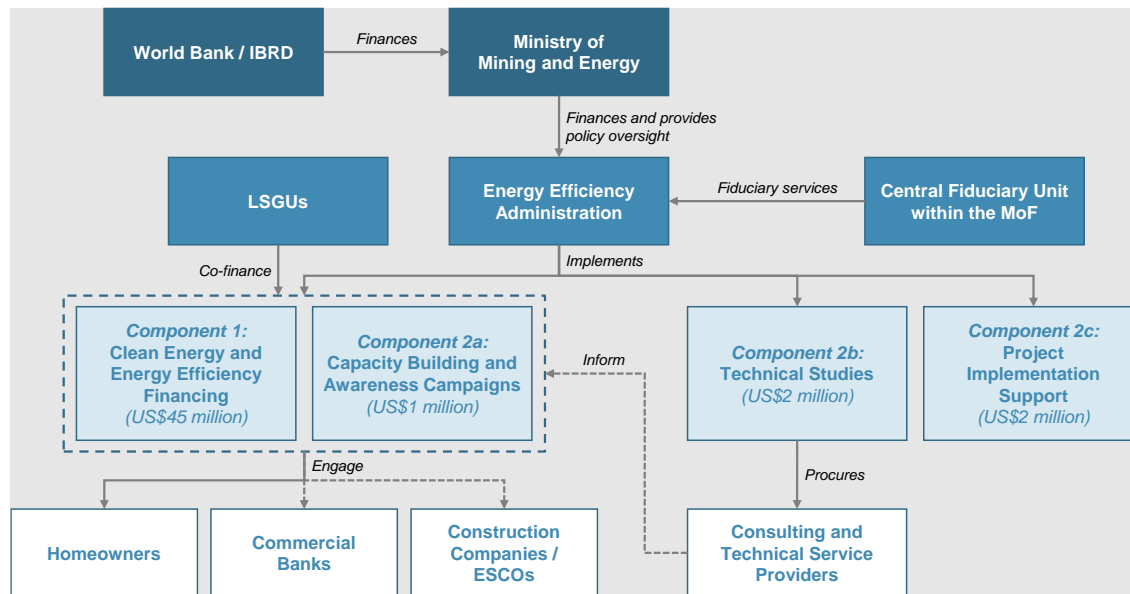
Component 1: Financing energy efficiency, sustainable heating, and rooftop solar investments in residential buildings (€ 40.41 million¹).

Component 2: Technical assistance and implementation support, with the overall aim to support the development of scalable financing mechanisms and remove market barriers (US\$5 million), with three subcomponents: (a) enhancing local market capacity, improving enabling environment, and strengthening public awareness; (b) technical studies informing program design and implementation; (c) project implementation support. (€4.377.750)

¹ The MoME might be interested in providing additional funds from the government budget to expand the scope of the project. However, any additional public funds from the MoME will be considered parallel financing rather than IBRD-GoS co-financing.

Components 1 and 2 will be implemented simultaneously. Pilot investments will be financed under Component 1 and scaled up relying on the analytical insights, institutional structures, and financing mechanisms developed under Component 2. Figure 1 demonstrates the project components and fund allocation under the project.

Figure 1: Envisioned project structure and implementation arrangements.



Source: World Bank Staff.

1.3. Beneficiaries

SURCE targets several groups of beneficiaries.

Final beneficiaries are households living in single family houses (SFH) and apartments in multi-apartment buildings (MAB). The project will prioritize investments in SFHs that use solid fuels (e.g., coal, firewood) for heating. Through its focus on SFHs and solid fuel users, the project is designed to ensure that lower-income households are well represented among the potential beneficiaries of the program. In order to further strengthen the focus on vulnerable and lower-income households and enhance their participation in the program, the project may include social inclusion top-up grants. In the first call financed by SURCE, these top-ups would be provided to lower-income LSGUs, covering part of their contribution to the program and thereby increasing the share of this group of municipalities. For future calls, the program will explore options to also target the social inclusion top-up grants on a household-level; for example, through cross-eligibility

for homeowners who are also recipients of social assistance benefits or receive energy bill discounts under the Energy Vulnerable Program² (EVP).

Direct beneficiaries are businesses such as construction companies, equipment suppliers and installers, energy service companies (ESCOs) and other service providers, referred to as “**Contractors**”. Direct beneficiaries (Contractors) will implement the energy efficiency measures and will receive grant payments upon successful completion of works. The project will monitor the emergence of potential ESCOs, although it will not seek to support the development of local contractors into full-fledged ESCOs. No ESCOs are currently operating in the Serbian residential energy efficiency market. If prospective ESCOs emerge during implementation, the project will assess the possibility to involve them into the program as an additional source of financing.

Indirect beneficiaries. Local self-government units, which are acting as **implementing intermediaries** (as discussed below), are also considered indirect beneficiaries of the SURCE project because they receive and channel grants to citizens in their jurisdictions. As a base principle, grant allocations to LSGUs will be proportional to their populations. However, the project will seek to ensure that poorer LSGUs (where energy vulnerable households are likely to be overrepresented) and LSGU-s which are recognize to have particularly polluted air are included in the program, e.g., by providing more favorable conditions for their participation (see above), as well as technical assistance.

The project will seek to establish further partnerships with **local commercial banks** to establish additional sources of financing for beneficiary households to cover their share of the investment cost. The project will maintain the partnership established with Banka Poštanska Štedionica under the pilot energy efficiency program run by MoME. In addition, the project will seek to involve other local commercial banks in the program to allow beneficiary households to complement the grant financing offered by the MoME and the LSGUs. Credit lines or other forms of on-lending will not be pursued under the project. This model is meant to introduce a sustainability element into the program and support the transition to private financing for clean energy and energy efficiency investments in residential buildings in Serbia.

1.4. Key Project Documents

Key documents for the Project include:

- 1) Loan Agreement (9346-YF) between the IBRD and the Republic of Serbia, signed on November 16, 2022.
- 2) Project Appraisal Document (PAD, dated on March 1, 2022
- 3) Project Operations and Grant Manual (POGM)
- 4) Project Procurement Strategy for Development (PPSD)
- 5) Procurement Plan (PP)
- 6) Environmental and Social Safeguards Management (ESMF) Plan
- 7) Stakeholders Engagement Plan

² Because not all households that are eligible for the Energy Vulnerable Program actually apply to it, cross-eligibility could be expanded to all households that are eligible for it, instead of just those that are recipients of the energy bill discounts. The household would, however, still need to receive the certificate of status from the local center of social assistance that confirms eligibility for the EVP.

2. PROJECT MANAGEMENT ARRANGEMENTS

2.1. Implementation Entities

2.1.1 MoME and Project Implementation Unit (PIU)

The project implementation unit (PIU) will be set up under the Ministry of Mining and Energy (MoME) and will be responsible for managing the day-to-day implementation, monitoring, and evaluation of the SURCE program. The main tasks of the PIU are outlined in Annex 1.

The PIU is responsible for coordination and day-to-day implementation of Project activities on behalf of MoME/EEA. Coordination of overall Project implementation activities implies that the Project activities, including the activities of international and local consultants, are implemented in a technically and timely harmonized manner. The PIU staffing adequately reflects capacities to manage the Project. The MoME has assigned senior official as the Project Director/Coordinator to oversee Project implementation at the highest level. The PIU could include Project Manager, Deputy Project Manager, Technical Experts, Environmental & Social Assessment Expert, Database and Monitoring & Evaluation Expert, Economists for monitoring financial flows and processing payments with LSGU, Legal Expert, Communication Specialist, Administrative Assistant, Interpreter, Technical experts within the LSGUs (or at a regional level) to support project implementation), and other staff (or consultants). These will be supported by local and international consultants, as and when needed. The PIU will be responsible for preparing Project reports, will assist the MoME in Project activities, such as preparation of ToRs, will support Project monitoring and evaluation (M&E) and perform other functions as needed. PIU will help prepare technical specifications for any services, equipment/goods or hardware/software purchases needed under the Project.

SURCE implementation will be also facilitated by the new Administration for Energy Efficiency Financing and Promotion (hereinafter Energy Efficiency Administration, EEA) which has a coordinating role for clean energy and energy efficiency programs across government. The adoption of the new Law on Energy Efficiency and Rational Use of Energy in April 2021 laid the foundation for the establishment of EEA. As of January 2022, the EEA is established as an administrative authority within the MoME, a semi-independent body with its own legal personality and clearly defined mandate for planning and implementing energy efficiency and clean energy investment projects defined in the Law Energy Efficiency and Rational Use of Energy.³ The EEA is managed by a Director (civil servant) appointed by the Government for a period of five years and directly reporting to the Minister of Mining and Energy. As a state administration body, the EEA is linked to the Ministry's annual budget planning process but has a separate budget line. To make the EEA operational, plans are to increase staffing to 12 full-time employees in 2023.

2.1.2 Ministry of Finance and Central Fiduciary Unit (CFU)

The Ministry of Finance (MoF) will provide SURCE Loan Agreement oversight and serve as the financial guarantor for all IFI-funded projects.

³ The Government of Serbia approved the Rulebook on Internal Organization and Systematization of Ministry of Mining and Energy on November 10, 2021, introducing the EEA in the Ministry's organizational structure.

The Central Fiduciary Unit (CFU), housed within the Ministry of Finance, provides fiduciary support (procurement and financial management activities) to all World Bank supported projects in Serbia. It will assist the SURCE PIU in the implementation of the procurement activities and financial management arrangements of the project including planning and budgeting, accounting, financial reporting, flow of funds (including disbursement), internal controls, and external auditing, ensuring that these activities are carried out in line with the World Bank procedures.

The CFU is responsible for: (a) **Procurement**, which includes (i) preparation of annual procurement plans agreed with the MoME/PIU approved by the Bank, (ii) support to the MoME /PIU, in preparation of the procurement documents and conducting of procurement procedures in accordance with the agreed procurement plan, and World Bank procurement regulations (b) **Financial management**, which includes organization and operation of the Project financial management system acceptable to the Bank (formal control of invoices against contract provisions, verification of financial documents, preparation of Overview of costs for payment, preparation of required financial reports, bank reconciliations, etc.) The system will be established for the Project on the basis of similar systems used in other Bank financed projects. The system is to include an accounting and control module with the capability to record and retrieve in a timely manner all financial transactions under the project; (c) **Auditing**, which includes external annual audit of Project statements, accounts and financial records in accordance with the World Bank requirements; and (d) **Reporting**, which includes establishment of regular reporting system that is able to produce information about the Project procurement and Financial Management as stipulated in the LA, in this POGM or as may be from time to time requested by the World Bank or MoME/EEA.

The CFU, established within the MoF in October 2017, has an Operational Manual (finalized on November 9, 2018 and regularly updated) which describes all fiduciary responsibilities of CFU staff. The CFU is currently comprised of the following staff: Director, Head of Operations, four Procurement Specialists and four Financial Management Specialists. The MoF provides office and equipment for the staff while salary of CFU staff, reimbursable expenses, training and operating costs incurred under the project are paid from the investment projects it supports in accordance with the rotation model for CFU financing, which is updated regularly.⁴

2.1.3 PIU/CFU Division of Responsibilities and Code of Conduct

The MoME is responsible for the overall implementation of the Project and coordination between all institutions involved. MoME/EEA/PIU is responsible for the technical activities while CFU is responsible for financial management and procurement activities. MoME/EEA/PIU is responsible for preparation of semi-annual Progress Reports. Close coordination and collaboration with MoME, EEA, PIU and the CFU on Project implementation is essential.

MoM/EEA/PIU and CFU have experienced and qualified staff with the ultimate task to successfully implement the Project. The MoME/EEA/PIU staff are directly subordinated to

⁴ The CFU is currently responsible for financial management and procurement for eleven ongoing investment projects..

the Project Coordinator in MoME while the CFU staff are subordinated to the CFU Director. The PIU Project Manager, under supervision of MoME Project Coordinator, is the only authorized person to issue work instructions to PIU staff while the CFU Head of Operations, under supervision of CFU director, is the only authorized person to issue work instructions to CFU staff.

In implementing their tasks, the MoME/PIU and CFU will adopt the following code of conduct:

- a) act by the principles of professional impartiality, responsibility, honesty, transparency, openness, efficiency and effectiveness in relations with third parties (i.e. consultants, suppliers of goods, persons or institutions involved in any way in activities or results of those activities), and may not practice any form of discrimination or preferential treatment;
- b) accord equal and fair treatment to the users of the services supplied by the Project;
- c) use the available resources in the manner of a good host, and maximum cost-effectiveness in relation to the general objectives of the Project, maximum cost-effectiveness should always be sought in decision-making within the MoME and in the practical application of its procedures;
- d) shall not use available official information for private purposes;
- e) may not directly, or through an intermediary, hold any interest in companies, or have responsibilities in public or private institutions having commercial relations with the Ministry or benefiting from its activities, and they may not receive any gifts, remuneration, commission or fee of any kind from such companies or institutions. Compliance with this obligation is an express condition of engagement with the Ministry;
- f) should not be engaged in political propaganda;
- g) do not permit the employment of a relative in any situation;
- h) keep evidence of working time and attendance of the staff for payroll;
- i) process and keep all management documentation.

2.1.4 Local Self-government Units

Local self-government units (LSGU), i.e. cities and municipalities participating in the project, are **Implementing Intermediaries**. They will play a key role in the SURCE implementation at the local level. For this purpose, each participating LSGU will establish an Energy Refurbishment Commission (the Commission) who will administer public calls for co-financing of energy efficiency and clean energy measures, on their behalf. Annex 1 lists key responsibilities of the Commission.

Rights and responsibilities of the LSGU and the Commission shall be further specified in the Financing Agreement signed between Ministry of Mining and Energy and LSGU and the Rulebook on co-financing measures for energy rehabilitation of residential buildings, family houses and apartments.

2.3.5 Project Steering Committee

A Project Steering Committee (PSC) will be established as an advisory body and maintained throughout the duration of the project to ensure overall coordination,

information sharing and strategic guidance functions. The MoME will act as Chair and PIU will act as Secretariat of the PSC. The members of the PSC will be nominated by the GoS and will include representatives from relevant ministries and government agencies. PSC meetings will be organized by the MoME on a semi-annual basis unless additional ad-hoc meetings are deemed necessary.

2.2. Correspondence

Correspondence management comprises receiving, opening, reading and distribution of mails and acts, grouping and forwarding for processing, administrative-technical processing, sending, classification by subject and archiving.

Every act for official communication will have the common interface, with memo of the MoME/EEA, name and address of recipient, title, text and signature. Mails sent from the staff individual address have to be copied to the MoME/EEA/PIU Project manager and CFU Directors/CFU Head of Operations address.

The use of electronic mail is encouraged. Emails should be copied to all interested staff inside the MoME, EEA, PIU and CFU.

2.3. Project Management Database

PIU, supported by a technical consultant procured by the World Bank as part of SURCE preparation, will develop a technical database design and architecture. Technical database will serve as project management tool and main Monitoring & Evaluation (M&E) instrument. The database will allow for standardization of input and output data, tracking of implementation progress, tracking of disbursement (grants, shares, co-financing, overall investments) and monitoring of results. Section 6 below provides more details on M&E.

3. DETAILED COMPONENT DESIGN

3.1. Component 1: Financing energy efficiency, sustainable heating, and rooftop solar investments in residential buildings

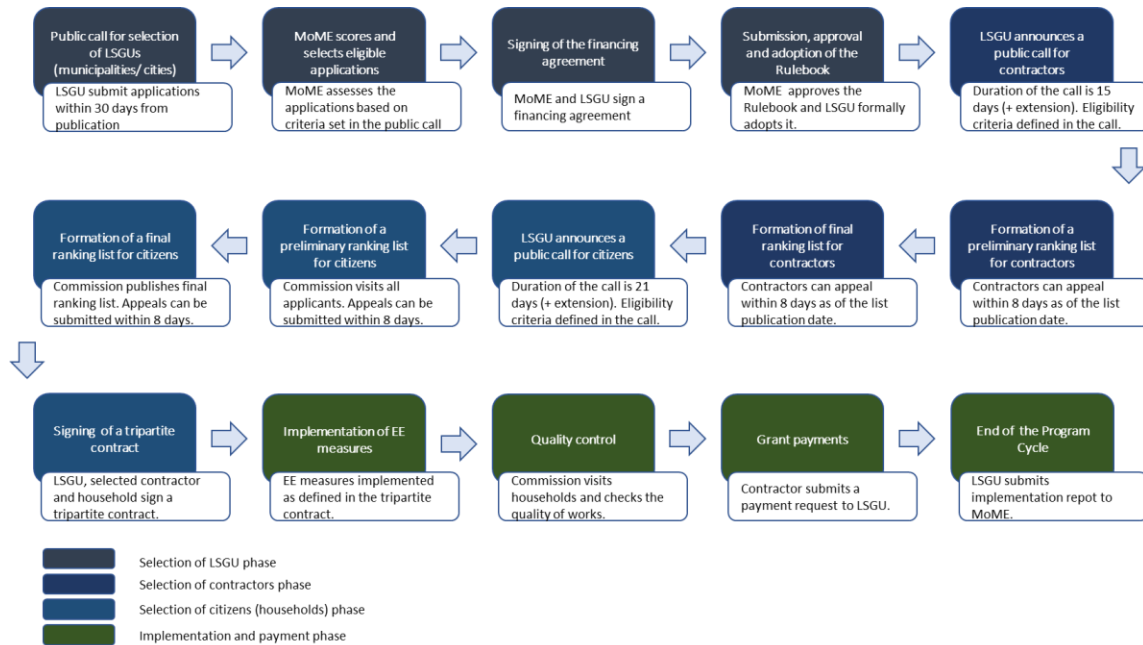
3.1.1 Overview

SURCE will build upon the legal and regulatory framework, and operational and contractual arrangements of the existing residential energy efficiency program, which was piloted by the MoME in 2021. SURCE will be a revised and scaled up version of this existing program. It will be implemented by MoME, supported by the EEA, and with significant involvement of local self-government units (LSGUs), i.e. cities and municipalities, as summarized in Figure 2.

Grant funds provided under SURCE will be allocated through public calls for proposals in two phases. In the first phase, LSGUs will be selected by MoME through a public call. This process will be in accordance with procedures prescribed in this document. Once the public call is completed, selected cities and municipalities will sign a financing agreement with MoME. In the second phase, selected LSGUs adopt/amend local rulebooks, if necessary, that will govern implementation of the grant program on the territory under their

jurisdiction. After the rulebook is adopted by the local Council/Assemblies,⁵ the implementation of the program continues with issuance of the public call for selection of contractors, who will implement the EE measures. This is followed by a public call for selection of households, who are the final beneficiaries of the program. Selected companies (Contractors), homeowners and LSGUs sign a tripartite agreement that governs the implementation of individual EE measures and financial arrangements. Both procedures are closely monitored by the Commissions on the local level, established for the purpose of program implementation.

Figure 2. Project Summary Flow Chart



**Deadlines specified in the graph are indicative and can be revised as necessary*

3.1.2 Regulatory Provisions and Contractual Arrangements between the Parties

The project operational arrangements will be governed by the following indicative list of the regulatory and contractual documents (all of them can be amended during project implementation as needed):

- 1) The Law on the Ratification of LA;
- 2) POGM
- 3) Public call for participation of LSGU's in the Energy Renovation Program (SURCE Program) and supporting documentation (Annex 3).
- 4) Model Rulebook on Co-financing Measures for Energy Rehabilitation of Residential Buildings, Family Houses and Apartments. This rulebook is developed by MoME and is used by the LSGUs as the template for developing the local rulebooks. If applicable, rulebooks could be used for several public calls within the same LSGU.

⁵ The same rulebook can be used for consecutive public calls unless amendments/adjustments are needed.

- 5) Model contract between MoME and LSGUs on co-financing the program of energy rehabilitation of residential buildings, family houses and apartments (Annex 4).
- 6) Model public call for participation of commercial entities in implementation of energy rehabilitation measures in households and supporting documentation (Annex 3).
- 7) Model public call for co-financing energy efficiency measures in family houses and apartment buildings and supporting documentation (Annex 3).
- 8) Model contract between LSGU, commercial entity, and household on co-financing of energy rehabilitation measures of a family house / apartment. (Annex 5).

3.1.3 Eligibility Criteria

A) Implementing Intermediaries Eligibility Criteria

Any local self-government unit located in the territory of the Republic of Serbia is eligible for participation in SURCE. In order to be selected to participate in the program, LSGUs need to confirm that they have sufficient budget for the co-financing of the grant component.

The pilot residential program implemented by MoME in 2021 required participating LSGUs to finance up to 25 percent of energy efficiency project costs. In SURCE, these co-financing requirements may be decreased for underdeveloped municipalities with below average income per capita as per official categorization of municipalities in Serbia and for most air polluted according to relevant strategic documents and reports. Eligibility criteria for underdeveloped municipalities will be developed over the course of project implementation.

B) Direct Beneficiaries Eligibility Criteria

Direct beneficiaries (Contractors) have to meet the following eligibility criteria:

- 1) To be registered with the Serbian Business Registers Agency as businesses or sole traders for at least six months prior to applying;
- 2) Not being subject to insolvency or liquidation procedure; and
- 3) Possess a certification for the materials and products supplied, especially in terms of minimum energy performance characteristics prescribed by the public call.

C) Final Beneficiaries Eligibility Criteria

Household applicants living in single family houses and individual apartments in multiapartment buildings have to meet the following eligibility criteria:

1. **Ownership.** The applicant must be the owner and resident of a single-family house or individual flat in the area of the City/Municipality (as indicated in a property tax assessment).
2. **Proof that the house is inhabited:** e.g., electricity bill from the previous month showing a consumption above 30 kWh.
3. **Technical soundness of the building.** SURCE will limit investments to buildings that are technically sound and fully finished (i.e., constructions with finished roof

and façade and adequate access to primary infrastructure such as electricity, sewage, and water supply). The applicants will report the technical state of the building by submitting a checklist/questionnaire (to be developed during implementation); and the LSGU's Commission will do on-site spot checks to discourage fraud (see section 3.1.11).

4. **Other criteria.** LSGUs can introduce additional criteria or conditions, e.g. conditions for legal construction in accordance with relevant regulation, proofs that applicants have paid all the local taxes they owed.

The following categories of applicants are not eligible to become final beneficiaries:

1. Owners of separate non-residential units in mixed-use buildings.
2. Homeowners who already benefited from grant support through participation in two SURCE public calls.⁶ One potential beneficiary can apply to a maximum of 2 public calls during the implementation time of the SURCE project. At the time of the second application, the applicant must have completed the investment supported under the preceding call and made all outstanding payments to Contractors.
3. Homeowners who were allocated the right to benefit from grant support for similar EE and clean energy investments over the preceding two years but withdrew from the support programs.

A beneficiary receiving support under the SURCE program must not apply for and benefit from grant support from other sources (government, municipality, donors and similar) for the activities or investments, which are supported by SURCE grants.

3.1.4 Eligible Investments and eligible cost levels (grant amount)

SURCE project will support eligible investments in energy efficiency (EE) and clean energy measures grouped in the following three renovation packages (light, standard, and advanced):

“Light package” will include:

- Windows and doors replacement
- Roof ceiling insulation

“Standard package” will include:

- Windows and doors replacement
- Roof ceiling insulation
- Wall insulation
- Boiler replacement
- Heat network renewal

“Advanced package” will include:

- Windows and doors replacement

⁶ In the pilot program, the homeowners who already benefited from grant funding for energy efficiency channeled through LSGUs, were not eligible for new support. However, SURCE will allow households to participate in two public calls.

- Roof ceiling insulation
- Wall insulation
- Heat network renewal
- Heat pump installation
- Solar PV system installation
- Solar collector for sanitary hot water installation.

Over the course of project implementation, efforts will be made to ensure prioritization of “light” and “standard” packages but SURCE will not exclude households (HHs) willing or able to finance only one or two measures (e.g., window replacements).

In order to prioritize certain investments over others, the possibility to offer different grant shares depending on the type of intervention being financed will be assessed (the grant level will be set in the public calls for proposal and adjusted during implementation). The project will place a specific emphasis on the replacement of traditional solid fuel boilers with cleaner, more efficient boilers. The replacement of existing coal boilers with more efficient coal boilers will not be financed, in order to avoid carbon lock-in.

SURCE will provide partial grants for households that install rooftop solar PV, either as a separate measure or as a joint measure with energy efficiency improvements.

During the first phase of the SURCE implementation, grant support will be given in the amount of at least 50 percent of the eligible investment cost; the grant share may be adjusted in the future. Minimum and maximum value of investments, maximum grant amount for each individual energy efficiency and clean energy measure, and maximum unit price for individual measure, where applicable, shall be defined in the public calls issued by LSGUs for the selection of the households. Grant support amount and eligible investments – including works and equipment required to implement energy efficiency and clean energy measures – will be specified in the public calls and supporting documentation issued by LSGUs (“Public call for co-financing energy efficiency and clean energy measures in family houses and apartment buildings”), and confirmed in the tripartite contracts signed on the basis of such public calls (“Contract between LSGU, commercial entity, and household on co-financing of energy rehabilitation measures of a family house / apartment”).

3.1.5 Ineligible Costs and Activities

The following costs and activities identified in the Environmental and Social Management Framework (ESMF) and implementation documentation will be ineligible for support under the SURCE program:

- Costs of works and procurement of materials and equipment incurred prior to an initial visit of the Energy Refurbishment Commission;
- Customs and administrative costs incurred in connection with procurement of equipment;
- Loan approval, interest, creditworthiness assessment, loan insurance, and similar costs incurred in connection with loan approval and disbursement;
- Refunds of costs for equipment or services previously purchased or performed (either paid for or delivered);
- Procurement of equipment manufactured or services performed by the applicant; and

- Other costs not compliant with the requirements of energy refurbishment measures.
- Customs and import duties, or any other charges (TBC);
- Any other activities that are not supported by World Bank Group projects (see Annex 6).

3.1.6 Co-financing Requirements

Selected LSGUs are required to co-finance EE programs in the agreed percentage as per signed Financing Agreement with MoME. Specific conditions for grant share and co-financing requirements are prescribed in the public call and supporting documentation.

Selected final beneficiaries are required to co-finance EE improvement measures/package as per proforma invoice received from the selected Contractors in the percentage/amount specified in by Tripartite agreement. Specific conditions for grant share and co-financing requirements are prescribed in the public call and supporting documentation.

3.1.7 Issuance of calls for applications

Deadline for submitting applications at national and local levels will be determined in the respective public calls.

A budget cap is allocated to each public call at local level, including a distribution of funds by type of applicant, if applicable.

Organization of public calls may be adjusted over the course of project implementation based on the results achieved after the first public call and feedback received from the LSGUs, direct and final beneficiaries.

3.1.8 Selection (Scoring and Ranking) Criteria

Applications that are not compliant with the requirements stated in the section Eligibility Criteria are not accepted. The eligible applications are assessed according to the following procedures.

A) LSGU applications

For all applications that meet all requirements set in public call, funds will be allocated by the decision of the Minister.

The MOME/EEA/PIU will implement activities related to allocation of financial incentives for implementing energy efficiency measures and other activities for the purpose of promoting energy efficiency.

B) Direct beneficiary (contractor) applications

For all applications from businesses that meet all requirements set, the company name will be placed on the list of eligible contractors by the decision of the Local Commission.

C) Final beneficiaries (households) applications

For all applications that meet the requirements set in public call, funds will be allocated by the decision of the Local Commission..

During the process of determining the fulfilment of the conditions, the Commission may conduct a field visit to inspect the condition of the residential structure and verify the data stated in the application to the Public Call. Each approved applicant will get a personalized decision which stipulates his/her right for subsidy

3.1.9 Rejections of households' applications

All applications that do not meet the requirements of public call will be rejected by the decision of the Commission with explanation. The applicants who are rejected have right to appeal.

Procedure for rejection of household applications including notification, complaints handling and justification, shall be prescribed by the local Rulebook on co-financing measures for energy rehabilitation of residential buildings, family houses and apartments. Procedure shall be aligned with GRM requirements prescribed in the ESMF and ESCP.

3.1.10 Payment Requests

Specific roles, responsibilities, and requirements related to the processing of payment requests, including adjustments to payment schedules, will be governed by the Financing Agreement for LSGUs' payment requests, and Tripartite Agreement for direct beneficiaries' (Contractors') payment requests.

Payment request submitted by the LSGUs

Along with the request for transfer of funds, the LSGUs shall submit to MoME the following documents:

- 1) blank bill of exchange with the request for transfer of funds, as an instrument of financial security for performance guarantee, which must be stamped and signed by a person who is authorized for representation and registered in the Register of bills of exchange, in accordance with Article 47a of the Law on Payment Transactions ("Official Gazette of the FRY", No. 3/02 and 5/03 and "Official Gazette of the Republic of Serbia", No. 43/04, 62/06, 111/09 – other law, 31/11, 139/14 – other law) and the Decision on detailed terms, content and manner of maintaining the register of bills of exchange and mandates ("Official Gazette of the Republic of Serbia", No. 56/11, 80/15, 76/16, 82/17 and 14/20), prescribed by the National Bank of Serbia. In addition to the bill of exchange, the LSGU shall also submit:
 - a) a copy of the specimen signature card issued by a commercial bank, which the LSGU stated in the bill of exchange authorization – DEPO specimen signature card;
 - b) a copy of the form of certified signatures of the persons authorized for representation – OP form. The signature of the authorized person on the bill of exchange and the bill of exchange authorization must be identical to the signature in the specimen signature card;

- c) confirmation of the bank on receipt of the request for registration of the bill of exchange – Request for registration / deletion of the bill of exchange, certified by the bank.
- 2) number of the LSG budget execution account, in accordance with the Rulebook on conditions and manner of keeping accounts for payment of public revenues and distribution of funds from those accounts (“Official Gazette of the Republic of Serbia”, No. 16/16, 49/16, 107/16, 46/17, 114/17, 36/18, 44/18 – other law, 104/18, 14/19, 33/19, 68/19, 151/20 and 19/21), to which the MoME will transfer allocated funds.
- 3) Any other documents to be defined in the contract between MoME and LSGU.

Prior to the transfer of funds, the MoME can request from the LSGU to submit additional documentation or an explanation, without delay. After submission, reviewing and accepting the stated documentation and explanations, the MoME shall transfer the funds in accordance with the LSGU request, and no later than adoption of the final list of selected direct beneficiaries (Contractors).

Specification of payment procedure for LSGUs shall be aligned with the project financial management requirements and further specified in the final POGM.

Payment request submitted by the direct beneficiaries (Contractors)

The Contractor shall notify the Commission that the EE and clean energy works have been completed and will issue a certificate that the works were performed in accordance with the pro forma invoice issued to the final beneficiary.

For the first public call under SURCE, the Commission will carry out a field visit of the household no later than 5 working days as of day when the Contractor notification was received and will issue a Confirmation that the works were performed in accordance with the specification of works specified in the pro forma invoice. For the subsequent calls, only sample post-renovation checks may be carried out for the verification of the investment done (see a more detailed discussion below).

At the next step, the Contractor shall submit a request for transfer of funds to the address of the city/municipality specified in the Tripartite Agreement or through the city/municipal registration office. The request shall be accompanied by:

- final invoice for performed works;
- confirmation of payment of the entire amount borne by the citizen signed by the citizen and the contractor;
- confirmation from the Commission that the works were performed in accordance with the specification of works specified in the pro forma invoice (this requirement may be dropped or amended for the subsequent public calls);
- attestations, certificates and warranty card.

The LSGUs forward the (signed) lists of pre-approved payment requests and supporting documentation from direct beneficiaries (Contractors) to the PIU. The PIU reviews the lists and prepares payment instructions signed by the SURCE Project Coordinator for each validated payment request (or list for payment requests). After that, the signed payment instructions are sent to the CFU, where they are processed and subsequently forwarded to the LSGUs. On those grounds, the LSGUs will release the funds from the designated grant account.

The LSGU shall transfer the funds to the Contractor after the Contractor duly submits the request for transfer of funds, within a period that may not be longer than 14 days from the date of submission of the request.

Specification of payment procedure for the direct beneficiaries shall be aligned with the project financial management requirements and further specified in the final POGM.

3.1.11 On-the-spot control

In the MoME pilot project, the Commission makes at least two scheduled field visits. The first one is carried out prior to any works commencing, to assess the initial condition of the building and the accuracy of information indicated in the application, as well as whether the proposed energy refurbishment measures are justified. The second one, once it has been notified of the completion of works, is to assess the condition of the building following energy refurbishment.

The SURCE project will develop standardized checklists/guidelines/trainings for municipal staff to assess houses remotely based on the information provided in the applications. Physical visits will be organized only for: a) buildings with potential (structural) problems (as identified through the checklists); and b) a number of randomly selected buildings (spot checks to discourage fraud). The percentage of houses for sample checks will be determined and adjusted during implementation. Similarly, sample post-renovation checks will be carried out for the verification of the investment done by households.

The Commissions that are willing and have the resources to conduct pre- and/or post-renovation audits to all houses will be free to do so.

3.1.12 Grant Completion

Once the individual grant-financed investment is completed and funds are fully paid to the account of the direct beneficiary (Contractor), the individual grant must be marked as COMPLETED in the grant registration system. All individual grant records, including application forms, must be kept for a minimum of 5 years from the day of project completion.

3.1.13 Termination of disbursement

Contract between MoME and LSGUs on co-financing the program of energy rehabilitation of residential buildings, family houses and apartments (Annex 4) shall set forth conditions and circumstances that may lead to suspension or termination of disbursements and eventual termination of the contractual relationship.

The Tripartite Agreement between LSGU, Contractor, and household on co-financing of energy rehabilitation measures of a family house / apartment (Annex 5) shall set forth conditions and circumstances that may lead to suspension or termination of disbursements and eventual termination of the contractual relationship. The Contractor, as the ultimate recipient of the grant funding, must observe all Articles of and Annexes to the Tripartite Agreement. The failure to implement the investment according to the Tripartite Agreement will result in rejection of payment request and termination of the Agreement.

3.2. Component 2: Technical assistance and implementation support

3.2.1 Subcomponent 2a: Enhancing Local Market Capacity, Improving Enabling Environment and Strengthening Public Awareness

This sub-component will be implemented by PIU, in coordination with World Bank and other IFIs and donors.

A) Policy, legal and regulatory development.

The PIU will monitor policy, legal and regulatory development related to energy efficiency, sustainable heating, and rooftop solar, and will propose actions that can facilitate residential investments in these areas, e.g. new regulations or amendments to the existing legal/regulatory framework. The proposed actions will be reviewed by the MoME and World Bank

B) Market development

PIU will implement market development and capacity building activities for LSGUs, local energy commissions, contractors, and commercial banks, to screen, design, evaluate, appraise/finance, implement, and measure clean energy and energy efficiency investments in the residential sector. The content and frequency of capacity building events will be determined and adjusted during implementation.

C) Communication and outreach

PIU will implement activities to raise awareness among the Serbian population of the benefits of energy efficiency and clean energy investments and available support programs. A communication campaign will be developed in the pre-implementation period with the support of communication specialists (consulting company) procured by the World Bank. This campaign will be implemented and adjusted, as needed, with support of consultants procured by the PIU.

3.2.2 Subcomponent 2b: Technical Studies Informing Program Design and Implementation

PIU will procure consultants to carry out technical studies that are needed to implement investment projects, if it is necessary, such as:

- **Selective pre-renovation energy audits.** Hiring contractors to conduct selected energy audits to: (i) assess proposed energy savings measures, (ii) verify baseline energy usage, and (iii) calculate investment costs, annual energy savings, and simple payback periods.
- **Selective technical designs and construction supervision.** Hiring of contractors to develop detailed technical designs and bills of quantity for renovation works for selected eligible buildings as needed (including technical drawings for renovation works) and perform construction supervision on a sample basis.

Sample post-renovation energy audits and measurement and verification (M&V). Hiring of contractors to perform sample post-renovation energy audits, including verification of the energy savings based on agreed M&V protocols for

the purposes of confirming municipal repayments. Monitoring and evaluation (M&E). Hiring of contractor(s) responsible for carrying out M&E activities based on inputs provided by the LSGUs. Development of a database and a program management support tool to be made available to the PIU and the LSGUs for the collection of data required for M&E, e.g.: (i) energy savings from investments, (ii) disbursed, committed, and invested amounts, (iii) repayments, (iv) social surveys, (v) periodic program evaluations, and (vi) annual stakeholder consultations.

3.2.3 Subcomponent 2c: Project Implementation Support

This component will support activities related to the implementation of the project, such as: (a) hiring of PIU staff (project manager, technical experts, environmental and social experts, database and monitoring and evaluation experts, legal experts, and so on); (b) hiring of technical experts within the LSGUs (or at the regional level); (c) audits; and (d) operating costs (equipment, logistics, and so forth).

Detailed breakdown of supported activities and costs will be specified in the project Procurement Plan.

4. ENVIRONMENTAL AND SOCIAL MANAGEMENT

The World Bank Environmental and Social Framework (ESF) requires the Borrowers to manage environmental and social risks compliant to the ESF and improve development outcomes. As of October 1, 2018, the ESF applies to all new World Bank investment project financing.

The SURCE project aims to increase the uptake of clean energy and energy efficiency investments in the residential sector in Serbia, with a focus on lower-income households. Increased investments in clean energy and energy efficiency will contribute to reducing the energy and carbon intensity of the residential sector, improving air quality in urban settings, and increasing heating comfort levels of lower-income households. Thus, out of ten WB Environment and Social Standards (EES)⁷, the following five were identified as relevant for the SURCE project:

- ESS1: Assessment and Management of Environmental and Social Risks and Impacts
- ESS2: Labor and Working Conditions
- ESS3: Resource Efficiency and Pollution Prevention and Management
- ESS4: Community Health and Safety
- ESS10: Stakeholder Engagement and Information Disclosure

⁷ Detailed information on the ESF and ten ESSs can be found at <https://www.worldbank.org/en/projects-operations/environmental-and-social-framework> and <https://www.worldbank.org/en/projects-operations/environmental-and-social-framework/brief/environmental-and-social-standards>.

The project is not expected to have any significant adverse impacts on cultural and historic heritage. However, if the buildings undergoing reconstruction under the project fall within the protection by the Institute for the Protection of Cultural Monuments of Serbia or in case of any known cultural heritage resources are located in the project area, E&S safeguard measures, procedures, and responsibilities are further defined in the Environmental and Social Management Framework, and Environmental and Social Commitment Plan.

The environmental and social risks of the SURCE project are classified as Moderate. Implementation of environmental and social management measures and activities will be carried out by the PIU, housed in the MoME. For this purpose, qualified Environmental and Social Expert(s) will be hired as a member(s) of the PIU. The experts shall ensure that environmental and social considerations outlined in the environmental and social safeguards documents are integrated into subprojects designs and implementation and that actions taken fully comply with the Bank's ESF policies and standards, relevant national legislation, including communication with stakeholders and the grievance mechanism.

Detailed guidance on environmental and social management requirements are prescribed in the Environmental and Social Management Framework, Environmental and Social Commitment Plan and complementing documents, all available at <https://www.mre.gov.rs/>.

Section 6.2 discusses monitoring of and reporting on the E&S safeguards.

4.1. Social and Environmental Safeguards Documentation

The MoME has prepared four E&S documents – Environmental and Social Management Framework (ESMF), Stakeholder Engagement Plan (SEP), Labor Management Procedures (LMP) and Environmental and Social Commitment Plan (ESCP). These documents will serve as main tools to identify, avoid, minimize, or mitigate potential negative environmental and related social impacts caused by implementation of the SURCE project.

This ESMF provides general policies, guidelines, codes of practice, and procedures that will be in place during the implementation of the SURCE project. Its main objective is to ensure the implementation is in compliance with all relevant local policies and legislation, as well as the WB ESS requirements. Since the project will be implemented on the territory of the Republic of Serbia and exact locations of investments are not known yet, ESMF provides a general framework for the project and introduces screening processes to exclude any sub-project activity which could potentially have significant adverse environmental and social impacts. In addition, the ESMF also provides guidance for the process and the content for the development of site-specific documents, such as Environmental and Social Impact Assessment (ESIA), Environmental and Social Management Plans (ESMPs) and Environmental and Social Management Plans checklist (ESMP checklist).

The SEP sets out principles and procedures for development and implementation of effective stakeholder engagement under SURCE project. Detailed stakeholder identification and analysis, specification of the stakeholder engagement program, definition of responsibilities for implementation of stakeholder engagement activities, grievance mechanism, and reporting requirements are outlined in the document.

The LMP is developed to help avoid, mitigate and manage risks and impacts in relation to project workers and prescribes a manner in which project workers will be managed, in accordance with the requirements of the national law and ESS requirements. The LMP identifies the categories of workers who are expected to be hired/engaged under the SURCE project, sets out the terms and conditions for employment or engagement of workers on the project, specifies the requirements and standards to be met and the policies and procedures to be followed, assesses risks and proposes the mechanisms for compliance measures implementation.

The ESCP sets out material measures and actions to be carried out or caused to be carried out by the MoME, acting on behalf of the Republic of Serbia as the Borrower, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, grievance management and the environmental and social assessments and instruments to be prepared or updated, disclosed, consulted, adopted and implemented under the ESCP and the ESSs, all in a manner acceptable to the Bank.

ESMF, SEP, LMP, ESCP and other social and environmental safeguards documentation shall be published on the MoME website: <https://www.mre.gov.rs/>. The social and environmental safeguards documentation may be revised over the course of project implementation. The agreement on changes shall be documented through an exchange of letters signed between the Bank and the MoME. The MoME will promptly disclose the updated social and environmental safeguards documentation on its website.

Section 6.2 discusses monitoring of and reporting on the E&S safeguards.

4.2. Environmental and Social Assessment

The ESMF prescribes the rules, procedures, and document templates for the environmental and social assessment. The ESCP (sections 1.2) prescribes measures, timeframe, and responsible authorities for preparation of Environmental and Social Assessment/Management Plans and Instruments.

The environmental and social assessment will follow the five-step process to identify risks, potential impacts and define measures aimed to prevent or minimize negative impacts and determine the type of management instrument required to meet the project standards:

- Step 1 - Project activity screening and risk classification
- Step 2 - Project activity preparation
- Step 3 - Preparation and disclosure of ESMP, ESMP checklist and public consultations (only for ESMP)
- Step 4 - Integration of ESMP and ESMP checklist in public calls
- Step 5 - Implementation, project supervision, monitoring and reporting.

Environmental and social assessment roles, responsibilities, procedures for of sub-projects are further specified in the ESMF and ESCP.

4.3. Climate Change Co-benefits

100 percent of the World Bank financing is expected to count as having climate co-benefits as defined by the Joint MDB methodology, as it finances clean energy and energy efficiency investments as well as associated technical assistance and implementation support.

4.4. Citizen Engagement

The current MoME pilot program includes a feedback mechanism whereby citizens can submit complaints or requests for additional information, either by email or phone.

The project will review and — where necessary — strengthen the citizens engagement interfaces in MoME's regulatory decision making and call-for-proposal processes to ensure that beneficiaries, the public and stakeholders are engaged in a systematic and structured manner through the use of publicly available information, feedback mechanisms and consultative processes.

Citizens Engagement will be crucial for the project to engage with local beneficiaries in two-way dialogues. The project interventions in residential buildings will offer many opportunities for outreach and socially inclusive engagement with citizens, as well (potential) grant program applicants. Citizen engagement will be carried out in several ways:

- For participatory planning and monitoring, committees will be formed by electing interested citizens – specifically inviting persons representing vulnerable citizens (such as the elderly or people with disability) and representatives of local community centers (*Mesne zajednice*). These committees would serve two key purposes: (a) identifying citizens' needs and issues with the program, by asking for feedback on issues experienced (such as application procedures, understanding of energy efficiency measures and communication of financial and energy savings benefits); and (b) monitoring the energy efficiency renovations (including committees to provide feedback on the quality of the works and perceived improvements).
- Annual surveys with beneficiaries will include quantitative and qualitative interviews with project beneficiaries to collect their perspectives and perceptions of the program's implementation and impact.
- Roundtables and open-door days will be periodically organized to gather representatives of LSGUs, residents, and projects beneficiaries and directly discuss project activities, building improvements, and survey results.
- In addition, the project may mobilize female and male "Youth Energy Ambassadors" for local action in LSGUs, in order to engage citizens on key issues around energy efficiency and clean energy.

The project will support the introduction of an online civic engagement platform as an efficient mechanism to enhance and expand the feedback collection mechanism under the existing pilot and complement SEP measures and activities. The design of the Platform is currently discussed between MoME and the WB⁸. Once operational the platform is expected to allow for:

- Direct and transparent communication between the Ministry and beneficiaries.
- Provision of standardized materials to all Municipalities involved.
- Dissemination and promotion of project benefits on a large scale.
- Design and implementation adjustments based on feedback received.

⁸ The final layout is expected to display at least three key windows: information sharing, stakeholder/citizen engagement and monitoring window.

4.5. Gender

The project aims at reducing the gender gap in knowledge and awareness of clean energy and energy efficiency, with the goal of channeling said knowledge into strengthened decision-making of households around investments. The project will thus contribute to reducing the gender gap in women's voice and agency, one of the four pillars of the World Bank Group Gender Strategy 2016-2023. A 2015 qualitative study conducted in eight ECA countries on energy efficiency reforms revealed a gap between men and women in their awareness and knowledge of energy efficiency, as well as in their ability to take actions to improve energy use in their households.⁹ Men are generally better informed about topics related to energy efficiency investments and consequently are more involved in making decisions about which energy sources to use. This gap puts women, particularly those in female-headed households, at a disadvantage, as they are less likely to apply to and benefit from government programs. As a recent survey revealed, approximately 32 percent of households in Serbia are headed by women;¹⁰ the gender gap in knowledge and awareness about energy efficiency can thus affect a substantial portion of potential project beneficiaries under the Project. Furthermore, as women are typically more likely to spend extensive periods in the domestic environment, which includes performing household activities related to maintaining the heat source, they are more exposed to harmful pollutants and poor indoor air quality. Having the knowledge about the investment options available will enable female-headed households to purchase cleaner, more energy-efficient heating technologies.

During project preparation, a survey on air quality and energy efficiency will be conducted in several Western Balkans countries, including Serbia, to probe knowledge and attitudes towards energy efficiency and air quality, current practices regarding energy consumption and efficiency in the household, financial ability to upgrade the energy sources in the household, knowledge of subsidies and support programs available, and the most effective communication channels to reach residents. The survey will also test the effectiveness of possible messages among respondents. The gender disaggregated findings from the survey will enable the Project to develop a set of actions aimed at addressing the gender gap in knowledge and awareness of clean energy and energy efficiency, i.e. the design of an awareness campaign with dedicated messaging targeted at women, including recommendations on energy investments and behavior changes that help save energy. The awareness campaign will therefore be calibrated to the differentiated knowledge that men and women currently have of implementing energy efficient investments, to ensure they are equally informed about the investment options and their benefits, know how to apply and implement the improvements, and are therefore motivated and equally able to benefit from the energy efficient investments available under the Project. Furthermore, research in other ECA countries has shown that female-headed households tend to have slightly lower levels of affordability than male-headed households. Should the upcoming survey on air quality and energy efficiency confirm this trend among female-headed households in Serbia, the program will reduce these affordability gaps through tiered subsidy levels that provide greater support to those with

⁹ World Bank. 2015. *Toward Gender-Informed Energy Subsidy Reforms: Findings from Qualitative Studies in Europe and Central Asia*. Washington, DC. World Bank.

¹⁰ Statistical Office of the Republic of Serbia and UNICEF. 2019. *Serbia Multiple Indicator Cluster Survey and Serbia Roma Settlements Multiple Indicator Cluster Survey, 2019, Survey Findings Report*. Belgrade, Serbia: Statistical Office of the Republic of Serbia and UNICEF.

more limited incomes per capita. Details on how the project design and complementary awareness and citizen engagement activities will achieve the abovementioned objectives will be developed together with the EEA during project preparation. To measure the impact of these actions, the Project will monitor the following quantitative intermediate result indicator: Share of female headed households that implement energy efficiency measures (boiler, window replacement, thermal insulation) in their homes.

4.6. Grievance Redress Mechanism

Grievance redress under the current residential energy efficiency program. Dedicated grievance redress mechanism for direct and final beneficiaries, has been established at LSGU level. The mechanism is prescribed in the Model Rulebook on Co-financing Measures for Energy Rehabilitation of Residential Buildings, Family Houses and Apartments, adopted by each participating LGS. Currently there is no program specific grievance redress mechanism for LSGU applications. Residential EE program related complaints and feedback can be submitted to MoME email and telephone line, specified in the public calls.

SURCE project level grievance mechanism (GM). Establishment of the project level GM is the responsibility of the MoME/EEA i.e., the PIU. Given the specific decentralized and geographically dispersed activities the SURCE GM would best serve the stakeholders interest through a Central Feedback Desk (CFD) administered by the PIU and sub-project specific Local Grievance Admission Desks (LGAD) to be established at the LSGU levels.

The CFD shall be responsible for overall grievance administration and shall be effective immediately after appraisal of the Project. The LGAD will serve as a local admission point for uptake of grievances and acknowledgment of grievance receipt through local avenues. Until LGAD becomes operational Stakeholders will be encouraged to send all grievances, concerns and queries to the contact points below:

Implementing agency:	Ministry of Mining and Energy
Main contact:	During the transitional period until the Focal Point is appointed Grievances shall be referred to the Energy Efficient Administration
Address:	Nemanjina 22-26, 11000 Beograd
E-mail:	To be specified
Telephone:	+ 381 11 3346 755

The GM would be managed manually, until the IT based system becomes operational. The project will utilize the existing system (hotline, online, written and phone complaints channels) to ensure all project-related information is disseminated and complaints and responses are disaggregated and reported. Quarterly reports in the form of Summary of complaints, types, actions taken and progress made in terms of resolving of pending issues will be submitted for the review to the Head of PIU. Once all possible avenues of redress have been proposed and if the complainant is still not satisfied then the GM would advise of their right to legal recourse. Thus, legal remedies available under the national legislation will be also available (courts, inspections, administrative authorities etc.).

The GM shall serve as both Project level information centre and grievance mechanism, available to those affected by implementation of all Project sub-components and be applicable to all Project activities and relevant to all local communities affected by project activities. The GM shall be responsible for receiving and responding to grievances and comments of the following four groups:

- A person/legal entity directly affected by the project, potential beneficiaries of the Project,
- Other interested parties with interest in the project, and
- Residents/communities interested in and/or affected by project activities.

The MoME through the EEA and PIU will cooperate with LSGUs in joint efforts to establishing functioning GM and informing stakeholders about the GM role and function, the contact persons, admission channels, and the procedures to submit a complaint in the affected areas. Information on the GM will be available:

- On the website of the MoME (<http://www.mre.gov.rs/>)
- On the notice boards and websites of LSGU
- Through social media campaigns.
- Information window on Citizen engagement platform which will be created with the support of WB

Detailed description of grievance redress administration, grievance logs, grievance admission, processing, monitoring and reporting, including relevant templates is provided in Chapter 12 of the ESMF and Chapter 6 of the LMP, both available at <https://www.mre.gov.rs/>.

Labor management grievance mechanism. The PIU will also develop and implement a grievance mechanism for direct workers to address workplace concerns. The PIU will also require third parties to develop and implement a grievance mechanism for their workforce, prior to commencing the activities they have contracted for. Detailed description of the labor management grievance mechanism requirement is provided in Chapter 12 of the LMP, available at <https://www.mre.gov.rs/>.

World Bank Grievance Redress System. In addition to the project-level grievance redress mechanism, communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

4.7. Behavioral Analysis

The World Bank will support the Government in reflecting behavioural insights in the program design and communication. The use of behavioural diagnostics of household attitudes and knowledge, including among poorer and vulnerable households, will be critical for identifying barriers in transitioning towards cleaner and more efficient energy, and improve the program targeting as well as communication to its beneficiaries. A regional survey on energy efficiency and sustainable heating practices and attitudes is currently under preparation in collaboration with IPSOS and is expected to be administered in January-February 2022. The communication and outreach strategy prepared for the project will fully integrate the survey findings and Citizens Engagement platform to facilitate information sharing and stakeholder engagement over the course of project implementation.

5. FIDUCIARY

5.1. Financial Management

Financial Management activities, which include accounting, financial reporting, withdrawal applications and monitoring of internal controls, flow of funds, and coordination with the external auditors, will be carried out by the CFU in coordination with the PIU and MoME/EEA.

5.1.1 Financial Management Overview

The SURCE Project is financed from the € 44.9 million (US\$ 50 million equivalent) World Bank loan to the Republic of Serbia. Financial Management of the Project will provide timely, reliable and useful information for accountability and decision-making. The principal objectives of financial management procedures are to:

- (a) Meet the World Bank requirements;
- (b) Comply with the legal covenants that “The Borrower shall maintain or cause to be maintained a financial management system and prepare financial statements (“Financial Statements”) in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Project”;
- (c) Meet the requirements of the Government of the Republic of Serbia.

Accounting policies adopted by the CFU will constitute basic principles designed to ensure that the accounting records are complete, relevant, and reliable, and that the accounting practices are followed consistently from one period to another, so that financial reporting is comparable.

5.1.2 Project Implementing Entities and Staffing

Financial management of the Project will be serviced by the CFU within the Ministry of Finance, complemented by PIU, and project implementing entity – MoME. The CFU is adequately staffed to service the financial management function and corresponding implementation arrangements of the SURCE Project.

5.1.3 Designated Account

The Designated RSD Record Account will be opened for the Project in MoME. The Designated Account (DA), in foreign currency (€), for administering the Project funds will be opened at the National Bank of Serbia (NBS) for the MoME and will be controlled by the PIU and MoME, with assistance from the CFU. The control environment at the NBS is considered to be acceptable. The DA will be funded with advances from the World Bank loan and used exclusively to cover project expenditures.

Payments out of the Designated Account is to be made exclusively for eligible expenditures in accordance with the provisions of the LA. Each payment shall be approved by an authorized person(s) within the MoME, and executed by the respective financial sector. Statement of Expenditures (SoEs) forms, prepared by CFU will include appropriate details for each aspect of the Project and, for each payment made out of the DA, are to be furnished to the World Bank, at such time as may be reasonably requested, documentary and other evidence to show that such payment was made exclusively for eligible expenditures. The CFU (and MoME/EEA) will keep all supporting documents, including contracts and procurement documentation, and evidence of payment in its files for examination by independent auditors and World Bank staff during supervision missions.

5.1.4 Eligible Expenditures

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 the Front-end Fee; 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
(1) Goods, works, non-consulting services, consulting services, Trainings and Operating Costs for the Project	4,377,750	100% (inclusive of taxes other than value added tax and customs duties for works, goods and non-consulting services)
(2) Grants under Part 1 of the Project	40,410,000	100% (inclusive of taxes)
(3) Front-end Fee	112,250	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions
TOTAL AMOUNT	44,900,000	

For the purpose of this table, the custom duties and value added tax for the importation and supply of works, goods and non-consulting services, within the Borrower's territory and for the purpose of the implementation of the Project, shall not be financed out of Loan proceeds. The Borrower confirms that the importation and supply of works, goods and non-consulting services, within the Borrower's territory and for the purpose of the implementation of the Project, shall be exempted from customs duties and value added tax.

Trainings include seminars, conferences, workshops and study visits related to the activities on the Project financed from this loan. Trainings represent expenditures (other than for consultants' services), incurred during the implementation of the Project, based on periodic training plans acceptable to the Bank for: (i) reasonable travel, room, board and per diem expenditures incurred by trainers and trainees in connection with the training; (ii) course fees; (iii) training/workshop facility and equipment rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses not otherwise covered. Procurement Regulations do not apply to Trainings.

The Project will finance **Operating costs** representing reasonable incremental expenses incurred on account of implementation of the Project, for office supplies and other consumable goods, office rent, internet and communications costs, support for information systems, translation costs, bank charges, utilities, travel, transportation, per diem, accommodation costs (lodging) for PIU and CFU, CFU salaries and other reasonable expenditures directly associated with the implementation of the Project, on the basis of semi-annual budgets acceptable to the Bank, excluding salaries of the civil service employees. Operating Costs Plans acceptable to the Bank will be prepared by the PIU and MoME/EEA for each year of the Project. Procurement Regulations do not apply to Operating Costs. Therefore, internal procedures for financing activities under the Operating Costs Plan need to be developed by the MOME/EEA/PIU.

Any expenditure that will be made under the Operating Cost of the Project, as approved in the OCP, and is below 15,000 EUR can be executed by the PIU against the invoice submitted (and contract, if any). If expenditure is higher than this threshold PIU will perform selection of supplier based on 3 bids minimum, or in accordance with adopted procedure within MoME.

5.1.5 Flow of Funds and Disbursement Arrangements

Project funds will flow from: (i) the World Bank Loan Account - either as an advance, via a Designated Account, or (ii) by direct payment on the basis of direct payment withdrawal applications, and (iii) other disbursements envisaged in the Disbursement and Financial Information Letter (DFIL).

Project funds will be withdrawn and will be used only for the purpose of inflows and outflows under respective Project's components. Payments in foreign currency to suppliers/services providers based abroad will be executed directly from the LA or DA. Funds needed for payments in local currency will be transferred to a corresponding RSD Record Account opened with Serbian Treasury Administration for the same purpose.

The CFU will administer Designated Account in the following manner: (i) the CFU will prepare withdrawal applications for replenishment of the Designated Account which ought to be signed by the MoME senior officials designated as authorized signatories for the

withdrawal of loan funds. Withdrawal Applications together with supporting documents will be prepared through World Bank's Client Connection web-based portal, following instructions for electronic delivery, (ii) payments from the Designated Account are executed by the means of payment orders. After all the procedures with respect to flow of documents, verifications and authorizations are applied, including confirmation by the designated MoME/EEA staff (and/or Project Coordinator) that service rendered/goods delivered are of acceptable quality and in line with respective contracts, PIU prepares Request for payment, MoME authorized Project Coordinator signs it and together with all documents for payment PIU sends it to CFU Financial Management Specialist (FMS). CFU FMS checks documents for payment, invoices against contract provisions and payment dynamics and if in order prepares Overview of costs for payment, signs it, then CFU Head of Operations approves it, and CFU delivers Overview of costs for payment to MoME/EEA PIU. PIU then submits whole package of payment documents to MoME Financial sector for payment execution. Confirmation of payment (Bank Statement(s)) is sent by the MoME Financial Sector or PIU to the CFU. In the case of Direct Payment, the application form for such payment method is submitted to the Bank with the same authorized signatories as described above.

The Ceiling for DA is defined in the DFIL that accompanies LA. Applications for replenishment of the DA will be submitted on regular basis (as defined in DFIL). Documentation requirements for replenishment would follow standard World Bank procedures as described in Disbursement Handbook. Before funds from the Loan Account may be withdrawn or committed, the authorized representative of the implementing entities, as designated in the LA, must furnish to the World Bank, electronically through the Client Connection website (<http://clientconnection.worldbank.org>), or through an authorized signatory designation letter, the names of the officials authorized (a) to sign and submit applications for withdrawal and (b) to receive Secure Identification Credentials (SIDC) from the World Bank.

Direct Payment disbursement method could be used on the basis of direct payment to suppliers or service providers. It will be fully documented and would include the original records evidencing eligible expenditures, such as invoice and receipts.

With regards to payments of grants on the Project, MoME will make payments from the RSD Record Account upon verification from designated MoME/EEA Officers and approval of the designated MoME Project Coordinator in line with the specific grant program procedures. The PIU will deliver on quarterly basis the summary table of disbursements made and expenditure documented in respect of grants to the CFU. The summary table of grants will be signed by the PIU designated Officer and MoME Project Coordinator. Relevant supporting documents for these summary tables of disbursement made and expenditures documented for grants will be kept at PIU.

Withdrawal applications Contract Implementation and Payments

Contract implementation will be monitored in the software and checks and controls of the total contract amount and payments which are due will be checked by CFU FMS before each approval for payment under contracts. Respective PIU technical staff will review and approve invoices and accompanying documentation against contracts provisions for quality of deliverables.

5.1.6 Accounting and Financial Reports

The Project's accounting will follow cash-based accounting (cash based, International Public Sector Accounting Standard - IPSAS), recording transactions when actual payment is done, rather than when they are incurred. Transactions should be accounted for within ten days after incurring. There should be appropriate back up of accounting records on external drives, as well as appropriate security regulation regarding access and editing rights of the financial information. The CFU acquired an acceptable financial management software which will be used to maintain accounting records for projects in its portfolio, including this Project, and prepare financial reports. The software includes features that enable appropriate analytical accounting information and generates financial reports in the agreed format automatically.

Some of the software features are:

- (a) Applying cash and accrual-based accounting, as required;
- (b) Keeping record of all Project expenditures;
- (c) Generating periodical Interim Financial Reports (IFRs);
- (d) Generating Replenishment reports;
- (e) Generating annual Project Financial Statements.

Financial Reports include:

- (a) Interim Financial Reports, quarterly, in accordance with the reporting timeline; and
- (b) Annual (separate) Financial Report, at the end of the calendar year that is a subject to the external audit.

Reports are made in accordance with cash-based IPSAS.

Interim un-audited financial reports will be prepared by the CFU on a quarterly basis, and delivered to the World Bank within 45 days after the end of the reporting period, throughout the life of the Project as per the project legal documents. The IFRs also serve as a basis for the annual audited financial statements. The supporting documentation of the Project financial statements shall be maintained by the CFU in electronic format and by PIU in original hard copies and made easily accessible to World Bank missions and to the external auditors.

The reporting currency will be Euro (€). IFRs are intended to comprise the following reports:

- (a) Cash Receipts and Payments, including comparison of budgeted versus actual amounts;
- (b) Uses of Funds by Activity;
- (c) Designated Account statement;
- (d) Breakdown of Grants;
- (e) Accounting policies and explanatory notes.

5.1.7 Internal controls

Internal controls to be applied for the Project include:

- a) appropriate authorizations and approvals of all purchases, relevant documentation, transactions of payments etc. All approvals, Payment requests and Payment orders will be signed by authorized person(s) from the MoME;

- b) segregation of duties as different persons responsible for different phases of a transaction. Invoices, consultant's reports, delivery recipes and supporting documents will be collected by PIU and will ensure approvals from authorized persons at MoME and forward documents (approved Invoices, Timesheets, Reports) to CFU. CFU FMS checks submitted invoices against contracts provisions for ceilings and dynamics of payments and if in order prepares Overview of costs for payment, signs it, CFU Head of Operations approves it, and forwards it to respective PIU staff who prepare Payment request and forwards all documents to respective Financial Department for payment execution;
- c) after payment is processed, the PIU submits an electronic copy of Bank statements to CFU showing all payments for record keeping and to be used as basis for required Reports;
- d) reconciliations between Project accounting records and other relevant sources of information (Client Connection, bank account statements, etc.) performed at least monthly by the CFU FMS;
- e) original documentation supporting all Project transactions properly filed. CFU FMS files original documentation in electronic format supporting all Project transactions. Original hard copies of documents will be kept by PIU.
- f) Invoices, timesheets and Payment requests for CFU staff salaries and/or operational costs and training as well as Statement of Expenditures (SoE) (Overview of costs) for payments will be approved by the CFU Director or CFU Head of Operations.

Key controls should include:

- a) reconciliation of the Bank's disbursement summaries with accounting records on monthly basis by the CFU FMS;
- b) reconciliation of bank statements with accounting records on monthly basis by the CFU FMS;
- c) reconciliation of SoEs with accounting records at the time of each withdrawal by the CFU FMS;
- d) segregation of duties as no one person has responsibility for all phases of transaction;
- e) specific staff authorized for signing and approving of transactions (MoME senior official or other authorized staff);
- f) transactions are properly documented.

The payment cycle would be adequately controlled. Received invoices would be verified against the contract and delivered goods/services by technical staff in the MoME/PIU. After sign off by the technical staff, the financial management staff of the CFU checks the invoiced amount against the contract ceiling. Invoices verified and signed off in such manner are forwarded for payment. A payment order signed by the authorized signatories accompanies the invoice. Original and complete documentation relating to the above process should be available.

5.1.8 External Audit

Separate annual Project financial statements will be audited by a private audit firm acceptable to the World Bank, engaged under the Terms of Reference (ToRs) approved by the World Bank. The audit report will be delivered to the World Bank within six months after the end of the audited period. The audit will be based on ToR for financial audit.

The audit of the project financial statements shall include:

- a) an assessment of the adequacy of accounting and internal control systems to monitor expenditures and other financial transactions and ensure safe custody of project-financed assets;
- b) a determination as to whether the Recipient and the CFU and PIEs have maintained adequate documentation on all relevant transactions;
- c) verification that expenditures submitted to the World Bank are eligible for financing, and identification of any ineligible expenditures;
- d) a separate opinion for the Statements of Expenditures (SoEs) against which disbursements have been made or are due to be made from the loan.

The auditor will be selected from the short list of firms pre-qualified to audit World Bank funded projects in Serbia. The auditor will be engaged not less than two months prior to the end of the fiscal year.

The Project financial statements to be audited annually include:

- (a) sources and uses of funds by disbursement category and project component;
- (b) SoE statements;
- (c) statements of Designated Account;
- (d) notes to the financial statements.

The audit will be conducted in line with International Standards on Auditing (ISA).

5.2. Procurement

5.2.1 Introduction

Procurement will be conducted in accordance with the World Bank's Procurement Regulations for IPF Borrowers: Procurement in Investment Project Financing – Goods, Works, Non-Consulting and Consulting Services (July 2016, revised November 2017, August 2018, and November 2020). The project will also be subject to the World Bank's Anti-Corruption Guidelines, dated July 1, 2016. The CFU and PIU staff will use the Systematic Tracking of Exchanges in Procurement (STEP) system.

The Borrower prepared the Project Procurement Strategy for Development (PPSD) and the procurement plan (Table 1) for the first 18 months of project implementation, which provides the basis for procurement methods. It includes the Bank review requirements and thresholds. A detailed procurement plan with implementation dates will be prepared and submitted to the Bank for review and no objection. The Procurement Plan will be updated as need arises and each update will require the Bank's review and no objection. In particular, an update will be prepared by the Borrower and the CFU, which shall then be submitted by the CFU to the Bank for approval. Upon approval, Bank's procurement specialist will upload it in STEP and it will be automatically visible on Bank's external website.

The General Procurement Notice (GPN) will be published after loan approval online on the UNDB website, local newspaper and on the MoMF website and will be updated based on project needs. Specific Procurement Notices (SPN) will be published as the corresponding procurement documents become available.

5.2.2 Procurement Thresholds

The prior review thresholds for moderate risk projects as provided in the ECA Regional Procurement Maximum Thresholds, effective January 2, 2014 (revised November 15, 2016) will apply: Goods, IT System and Non-Consulting Services – \$4,000,000; Consulting Firms – \$2,000,000; and Individual Consultants – \$400,000. Direct Selection will be in accordance with paras. 6.8 to 6.10 for Goods, Works and Non-Consulting Services and paras. 7.13-7.15 for Consulting Services of the Procurement Regulations. Despite the prior review status of a consulting assignment, the Bank team reserves the right to conduct due diligence on critical assignments, i.e. review the process before a contract is signed.

The above thresholds, based on the procurement risk rating, may be modified during project implementation depending on the performance of the CFU and PIU in implementing procurement activities.

All TORs are subject to prior review irrespective of prior/post review status.

5.2.3 Procurement Methods

Procurement of consulting services will use the World Bank standard procurement documents. Selection methods are: Quality-and Cost-Based Selection, Consultant's Qualifications based Selection, Least Cost Selection, Fixed Budget Selection, or Quality Based Selection following provisions of Regulations for Borrowers, Section VII. Approved Selection Methods: Consulting Services. Individual consultants are selected from those that expressed interest in response to a REOI or through limited competitive selection. For direct selection of individual consultants, due justifications under the circumstances, as specified in para. 7.39 of Section VII of the Regulations, apply. The PIU will provide technical support to CFU to develop procurement documents and to evaluate proposals.

Entering new activity in STEP

As a general rule, applicable to all types of procurement (CS, NCS, G, W), PIU submits the following information to the CFU Procurement Specialist in order to upload new activity in STEP and seek Bank's no objection:

- Component in PP
- Sub-component in PP
- Description of Contract Package
- Procurement Type (CS, NCS, G, W)
- Procurement Method (IC, RFP, RFB, RFQ)
- Prior/Post (review by the Bank)
- Market approach (open/limited/DS; national/international)
- Estimated Cost of the activity (USD)
- TOR/Bidding document submission date
- Duration of the assignment (days/months)

In case of modification of data previously entered, PIU will submit to the CFU data to be changed/modifies along with justification. CFU will enter subject changed/modification in STEP for Bank's no objection.

In case of cancelation of the activity, PIU will submit to the CFU justification for cancelation. CFU will cancel subject activity in STEP for Bank's no objection.

A) Selection of Individual Consultants

Selection of Individual Consultants (IC) is conducted in accordance with Section VII of the Procurement Regulations, paras. 7.34-7.39. Selection methods are open competition, limited competition, and direct selection.

Procedures for Selection of IC under Open Competition

1. MoME/PIU prepares TOR, establishes an Evaluation Committee (EC) and submits the decision on establishment of EC and TOR to the CFU Procurement Specialist;
2. The CFU Procurement Specialist submits the TOR to the Bank for review and no objection through Systematic Tracking of Exchanges in Procurement (STEP);
3. The CFU Procurement Specialist prepares the Request for Expressions of interest (REOI) and the PIU publish it in the national newspapers of wide coverage and in case of International Consultant, the CFU places an advertisement in UNDB on line through STEP. The TOR should be published together with the REOI in MoME's website and CFU Procurement Specialist will include a link in the REOI;
4. The EC prepares a long list from candidates who responded to the published REOI and/or selects from the IC database maintained by the CFU registering any interested consultant who expressed interest in the project through either contacting the CFU or responding to GPN, REOI and other advertisement on the Project;
5. The EC will evaluate the candidates' resumes and select the one that best fulfills the qualification requirements/criteria specified in the TOR;
6. The CFU Procurement Specialist, in consultation with the EC prepares the evaluation report based on the work conducted by the EC which includes statement of strengths and weaknesses of candidates, individual evaluation sheets of EC members, and a summary of evaluation;
7. If the contract is subject to prior review, the CFU Procurement Specialist sends the evaluation report to the Bank for review and no objection through STEP, along with the CVs of the candidates;
8. Once the Bank's no objection is obtained, the selected consultant is invited for contract negotiations and the draft negotiated contract is sent to the Bank for review and no objection, through STEP;

9. Once the Bank's no objection is obtained, the contract is signed between the selected consultant and MoME;
10. For contracts subject to post review, after the preparation of evaluation report the contract is negotiated and signed between the selected consultant and MoME;
11. For all contracts, whether subject to the Bank's prior review or post review, the CFU Procurement Specialist submits the copy of the signed contract to the Bank through STEP;
12. Contract award is published in the UNDB through STEP and in MoME's website.
13. At this stage, the CFU Procurement Specialist enters the following data in the Contract Management Module (CMM), namely assigns a Contract Manager, records detail of contract signing, notifies the Bank of contract signing and prepares the roadmap of key contractual dates and milestones (planned dates).
14. PIU and designated Contract Manager are responsible for contract implementation and managing the contract. In the CMM, this includes finalizing the contract management plan and using this contract management plan to manage the contract. This means that the Contract Manager is responsible for recording actual dates of activities (KPIs, Deliverables, Payments...) as they occur and monitoring the contract from implementation to completion.
15. Upon request from the PIU providing rationale and details for modification of the contract, the CFU Procurement Specialist will prepare the amendment and if subject to the Bank's prior review, submit it to the Bank through STEP.
16. Once the Bank's no objection is obtained, the Amendment to the contract is signed between the selected consultant and MoF;
17. the CFU Procurement Specialist submits the copy of the signed Amendment to the contract to the Bank through STEP (CMM).

Procedures for Selection of IC under Limited Competition (This selection applies only if PIU and/or CFU have CVs of at least 3 qualified candidates. Otherwise, selection should be done through open competition)

1. MoME/PIU prepares TOR, list of individual consultants that are deemed qualified, establishes the Evaluation Committee (EC) and submits the decision on establishment of EC, list of consultants and TOR to the CFU Procurement Specialist;
2. The CFU Procurement Specialist submits the TOR to the Bank for review and no objection through STEP;
3. The CFU Procurement Specialist invites individual consultants that are deemed qualified (i.e. fulfills the minimum qualification requirements included in the TOR) to provide their EOIs and sends the complete TOR with the invitation;

4. The EC will evaluate the candidates' resumes from those that expressed interest in response to the invitation and select the one that best fulfills the requirements specified in the TOR;
5. The CFU Procurement Specialist prepares the evaluation report based on the work conducted by the EC, which includes statement of strengths and weaknesses of candidates, individual evaluation sheets of EC members and a summary of evaluation;
6. If the contract is subject to prior review, the CFU Procurement Specialist sends the evaluation report to the Bank for review and no objection through STEP, along with the CVs of the candidates;
7. Once the Bank's no objection is obtained, the selected consultant is invited for contract negotiations and the draft negotiated contract is sent to the Bank for review and no objection through STEP;
8. Once the Bank's no objection is obtained, the contract is signed between the consultant and MoF;
9. For contracts subject to post review, after the preparation of evaluation report the best qualified consultant is invited for negotiations and the contract is negotiated and signed between the selected consultant and MoME;
10. For all contracts, whether subject to the Bank's prior review or post review, the CFU Procurement Specialist submits the copy of the signed contract to the Bank through STEP;
11. Contract award is published in the UNDB through STEP and in MoME's website.
12. At this stage, the CFU Procurement Specialist enters the following data in Contract Management Module (CMM), namely assigns a Contract Manager, records detail of contract signing, notifies the Bank of contract signing and prepares the roadmap of key contractual dates and milestones (planned dates).
13. PIU and designated Contract Manager are responsible for contract implementation and managing the contract. In the CMM, this includes finalizing the contract management plan and using this contract management plan to manage the contract. This means that the Contract Manager is responsible for recording actual dates of activities (KPIs, Deliverables, Payments...) as they occur and monitoring the contract from implementation to completion.
14. Upon request from the PIU providing rationale and details for modification of the contract, the CFU Procurement Specialist will prepare the amendment and if subject to the Bank's prior review, submit it to the Bank through STEP.
15. Once the Bank's no objection is obtained, the Amendment to the contract is signed between the selected consultant and MoF;

16. the CFU Procurement Specialist submits the copy of the signed Amendment to the contract to the Bank through STEP.

Procedures for Selection of IC under Direct Selection (DS)

1. MoME/PIU prepares TOR, justification for DS including estimated costs and relevant information on selected/identified Consultant and submits them to the CFU Procurement Specialist;
2. The CFU Procurement Specialist submits the TOR and justification for DS finalized in accordance with the requirements in para. 7.39 of the Procurement Regulations, including estimated costs, to the Bank for review and no objection through STEP;
3. Once the Bank's no objection is obtained, the selected consultant is invited for contract negotiations and the draft negotiated contract is sent to the Bank for review and no objection, if the contract is subject to prior review;
4. Once the Bank's no objection is obtained, the contract is signed between the consultant and MoME;
5. For contracts subject to post review, after the no objection for DS, the contract is negotiated and signed between the consultant and MoME
6. For all contracts, whether subject to the Bank's prior review or post review, the CFU Procurement Specialist submits the copy of the signed contract to the Bank through STEP;
7. Contract award is published in the UNDB through STEP and in MoME's website.
8. At this stage, the CFU Procurement Specialist enters the following data in Contract Management Module (CMM), namely assigns a Contract Manager, records detail of contract signing, notifies the Bank of contract signing and prepares the roadmap of key contractual dates and milestones (planned dates).
9. PIU and designated Contract Manager are responsible for contract implementation and managing the contract. In the CMM, this includes finalizing the contract management plan and using this contract management plan to manage the contract. This means that the Contract Manager is responsible for recording actual dates of activities (KPIs, Deliverables, Payments...) as they occur and monitoring the contract from implementation to completion.
10. Upon request from the PIU providing rationale and details for modification of the contract, the CFU Procurement Specialist will prepare the amendment and if subject to the Bank's prior review, submit it to the Bank through STEP.
11. Once the Bank's no objection is obtained, the Amendment to the contract is signed between the selected consultant and MoF;
12. the CFU Procurement Specialist submits the copy of the signed Amendment to the contract to the Bank through STEP.

B) Selection of Consulting Firms

The methods to be used for selection of consulting firms are those stated in Section VII. Approved Selection Methods for Consulting Services of the Regulations: QCBS, FBS, LCS, QBS and CQS.

Procedures for selection of a firm under Quality and Cost-Based Selection (QCBS)

1. MoME/PIU prepares TOR, establishes the Evaluation Committee (EC) and submits the decision on establishment of EC and TOR to the CFU Procurement Specialist;
2. The CFU Procurement Specialist submits the TOR to the Bank for review and no objection through STEP;
3. The CFU Procurement Specialist prepares the Request for Expressions of interest (REOI) in the national newspapers of wide coverage, and in case of International Consultant, the CFU places an advertisement in UNDB on line through STEP. The TOR should be published together with the REOI and published in MoME's website and CFU Procurement Specialist will include a link in the REOI;
4. The CFU Procurement Specialist collects the Expressions of Interest received and files/copies them;
5. The EC will evaluate the Expressions of Interest (EOI) and prepares the short list, i.e. minimum of 5 firms and maximum of 8 eligible firms;
6. The PIU and CFU Procurement Specialist prepare the Request for Proposal (RFP);
7. The CFU Procurement Specialist submits to the Bank the shortlisting (S/L) report of expressions of interest, the proposed shortlist, and the draft Request for Proposals for no objection through STEP;
8. After receiving the Bank's no objection to the proposed shortlist and the draft RFP, the CFU Procurement Specialist issues the RFP to the shortlisted consultants;
9. The CFU Procurement Specialist documents any questions/requests for clarifications and their respective answers, and in coordination with PIU responds to all consulting firms without identifying the name(s) of the consulting firms requesting clarification in consultation with the technical experts, as appropriate;
10. In case there is a need to modify RFP documents due to answers provided to the consultants, or due to CFU Procurement Specialist (or MoME/PIU) own initiative, such modifications shall be made through an Amendment approved by the Bank. CFU Procurement Specialist may extend the deadline for submission if an Amendment so warrants. Amendments may be sent by mail and a copy of it should be sent to the Bank;

11. Technical and financial proposals are received in separate envelopes. Each envelope is marked "original" and "copy" as appropriate. Both envelopes are sealed in an outer envelope and marked "DO NOT OPEN EXCEPT IN THE PRESENCE OF THE EVALUATION COMMITTEE". Any proposal received after the deadline shall be returned unopened;
12. The EC assisted by the CFU procurement specialist shall open the technical proposals immediately after the deadline for submission of proposals;
13. The financial proposals shall remain sealed and kept in safe;
14. The EC shall evaluate and score the technical proposals based on the points assigned in the RFP. Each member shall score independently;
15. Firms scoring points equal to or greater than the minimum technical score required (specified in the RFP) shall be considered for second stage - evaluation of financial proposals;
16. The CFU Procurement Specialist, in coordination with the EC, shall prepare the Technical Evaluation Report to be sent to Bank for no objection through STEP;
17. After receiving Bank's no objection to the Technical Evaluation Report, CFU Procurement Specialist shall notify the firms that passed the minimum technical score and will advise the date, time and address for public opening of the financial proposals. Financial proposals of firms which did not meet the minimum technical score will remain sealed and will be returned unopened after publication of contract award;
18. At the opening of financing proposals, the CFU Procurement Specialist shall announce the names of the consultants, their technical score, present the sealed envelope of the financial proposal, open the financial envelopes one by one, and read-out amounts of the financial proposals;
19. The CFU Procurement Specialist shall prepare the minutes of the opening of the financial proposals and send it to the Bank;
20. The EC shall determine if financial proposals are complete and consistent with the technical proposals;
21. The CFU Procurement Specialist shall complete the final evaluation report ranking the proposals according to their combined technical and financial scores using the RFP assigned weights, and send it to the Bank for records through STEP;
22. The CFU Procurement Specialist will invite the firm scoring the highest combined technical and financial score for negotiations informing it and outlining the negotiation topics;
23. The negotiation, carried out by the EC, will include: confirmation of availability of experts specified in the technical proposal, discussion of technical proposal, work plan, staffing and firm's suggestions to improve the TOR, MoF and firm's

- agreement on the final TOR to be incorporated in the description of services, including adjustment of the financial proposal where appropriate, clarification on tax issues, if any, and on how to account for them in the Contract;
24. If negotiations fail with the top ranked firm, CFU Procurement Specialist shall invite the firm with the second highest score with Bank's prior approval;
 25. The CFU Procurement Specialist shall incorporate the results of the negotiations in a Draft Contract to be sent to Bank for no objection through STEP;
 26. After receiving Bank's no objection to the draft negotiated contract initialized by the successful consultant, the CFU Procurement Specialist shall promptly and simultaneously provide, to each Consultant whose financial Proposal was opened, the Notification of Intention to Award the contract. Transmission of the Notification of Intention to Award begins the Standstill Period and the contract shall not be awarded either before or during the Standstill Period¹¹;
 27. The EC and CFU Procurement Specialist shall provide a debriefing within five (5) business days for any written request received within three (3) business days after the issuance of the Notification of Intention to Award;
 28. The CFU Procurement Specialist shall include in the procurement records a written summary of debriefing and copy that to the Bank for contracts subject to prior review;
 29. For contracts subject to prior review, when no complaints are received within the Standstill Period, the CFU Procurement Specialist shall award the contract in accordance with the award recommendation that had previously received the Bank's no objection. The CFU Procurement Specialist shall transmit the notification of award to the successful Consultant, along with other documents as specified in the request for proposals document for the contract;
 30. For contracts subject to prior review by the Bank, the CFU Procurement Specialist shall not proceed with contract award without receiving the Bank's confirmation of satisfactory resolution of complaint;
 31. For all contracts, whether subject to the Bank's prior review or post review, the CFU Procurement Specialist publishes the contract award in UNDB through STEP and through MoME's website;
 32. The CFU Procurement Specialist returns the financial proposals of the firms which did not pass the technical evaluation stage.
 33. At this stage, the CFU Procurement Specialist enters the following data in Contract Management Module (CMM), namely assigns a Contract Manager, records the receipt of the performance security, where applicable, records detail of contract

¹¹ Standstill period is not required when only one proposal was submitted.

signing and notifying the Bank of contract signing and prepares the roadmap of key contractual dates and milestones (planned dates).

34. PIU and designated Contract Manager are responsible for contract implementation and managing the contract. In the CMM, this includes finalizing the contract management plan and using this contract management plan to manage the contract. This means that the Contract Manager is responsible for recording actual dates of activities (KPIs, Deliverables, Payments...) as they occur and monitoring the contract from implementation to completion.
35. Upon request from the PIU providing rationale and details for modification of the contract, the CFU Procurement Specialist will prepare the amendment and if subject to the Bank's prior review, submit it to the Bank through STEP.
36. Once the Bank's no objection is obtained, the Amendment to the contract is signed between the selected consultant and MoF;
37. the CFU Procurement Specialist submits the copy of the signed Amendment to the contract to the Bank through STEP.

Procedures for selection of a firm under Least-Cost Selection (LCS) ¹²

1. MoME/PIU establishes the Evaluation Committee (EC) and submits the decision on establishment of EC to the CFU Procurement Specialist;
2. The CFU Procurement Specialist submits the TOR to the Bank for review and no objection through STEP;
3. The CFU Procurement Specialist prepares the Request for Expressions of interest (REOI) in the national newspapers of wide coverage, and in case of International Consultant, the CFU places an advertisement in UNDB on line through STEP. The TOR should be published together with the REOI and published in MoF website and CFU Procurement Specialist will include a link in the REOI;
4. The CFU Procurement Specialist collects the Expressions of Interest received and files/copies them;
5. The EC will evaluate the Expressions of Interest (EOI) and prepares the short list, i.e. minimum of 5 firms and maximum of 8 eligible firms;
6. The PIU and CFU Procurement Specialist prepare the Request for Proposal (RFP);

¹² In case of audit services, the shortlist will be based on the approved list of audit firms by the World Bank.

7. For contracts subject to prior review by the Bank, the CFU Procurement Specialist submits to the Bank the draft Request for Proposals for no objection through STEP;
8. After receiving the Bank's no objection, the CFU Procurement Specialist issues the RFP to the approved list of firms by the World Bank;
9. The CFU Procurement Specialist documents any questions/requests for clarifications and their respective answers, and responds to all consulting firms without identifying the name(s) of the consulting firms requesting clarification in consultation with the technical experts, as appropriate;
10. In case there is a need to modify RFP documents due to answers provided to the consultants, or due to CFU Procurement Specialist own initiative, such modifications shall be made through an Amendment approved by the Bank (for contracts subject to prior review by the Bank). CFU Procurement Specialist may extend the deadline for submission if an Amendment so warrants. Amendments may be sent by mail;
11. Technical and financial proposals are received in separate envelopes. Each envelope is marked "original" and "copy" as appropriate. Both envelopes are sealed in an outer envelope and marked "DO NOT OPEN EXCEPT IN THE PRESENCE OF THE EVALUATION COMMITTEE". CFU Procurement Specialist shall mark the time and date the proposal was received. Any proposal received after the deadline shall be returned unopened;
12. The EC shall open the technical proposals immediately after the deadline for submission of proposals;
13. The financial proposals shall remain sealed and kept in safe;
14. The EC shall evaluate and score the technical proposals based on the points assigned in the RFP. Each member shall score independently;
15. Firms scoring points equal to or greater than the minimum technical score required (specified in the RFP) shall be considered for second stage - evaluation of financial proposals;
16. The CFU Procurement Specialist shall prepare the Technical Evaluation Report to be sent to Bank for no objection for contracts subject to prior review by the Bank;
17. After receiving Bank's no objection on the Technical Evaluation Report, CFU Procurement Specialist shall notify the firms that passed the minimum technical score and will advise the date, time and address for public opening of the financial proposals. Financial proposals of firms which did not meet the minimum technical score will remain sealed and will be returned unopened after publication of contract award;
18. At the opening of financing proposals, the CFU Procurement Specialist shall announce the names of the consultants, their technical score, present the sealed

- envelope of the financial proposal, open the financial envelopes one by one, and read-out amounts of the financial proposals;
19. The CFU Procurement Specialist shall prepare the minutes of the opening of the financial proposals and send it to the Bank through STEP for contracts subject to prior review;
 20. The EC shall determine if financial proposals are complete and consistent with the technical proposals;
 21. The CFU Procurement Specialist shall complete the final evaluation report awarding the contract to the consultant with the lowest evaluated cost, and send it to the Bank for records for contracts subject to prior review;
 22. The CFU Procurement Specialist will invite the firm with the lowest evaluated cost for negotiations informing it and outlining the negotiation topics;
 23. The negotiation, carried out by the EC, will include: discussion of technical proposal, work plan, staffing and firm's suggestions to improve the TOR, MoF and firm's agreement on the final TOR to be incorporated in the description of services, including adjustment of the financial proposal where appropriate, clarification on tax issues, if any, and on how to account for them in the Contract;
 24. If negotiations with the lowest evaluated consultant fail, CFU Procurement Specialist shall invite the firm with the second lowest evaluated cost with Bank's prior approval;
 25. The CFU Procurement Specialist shall incorporate the results of the negotiations in a Draft Contract to be sent to Bank for no objection for contracts subject to prior review;
 26. After receiving Bank's no objection to the draft negotiated contract initialized by the successful consultant, the CFU Procurement Specialist shall promptly and simultaneously provide, to each Consultant whose financial Proposal was opened, the Notification of Intention to Award the contract. Transmission of the Notification of Intention to Award begins the Standstill Period and the contract shall not be awarded either before or during the Standstill Period;
 27. The EC and CFU Procurement Specialist shall provide a debriefing to all unsuccessful Consultants whose request for debriefing is received;
 28. The CFU Procurement Specialist shall include in the procurement records a written summary of debriefing and copy that to the Bank for contracts subject to prior review by the Bank;
 29. For contracts subject to prior review, when no complaints are received within the Standstill Period, the CFU Procurement Specialist shall award the contract in accordance with the award recommendation that had previously received the Bank's no objection. The CFU Procurement Specialist shall transmit the

notification of award to the successful Consultant, along with other documents as specified in the request for proposals document for the contract;

30. For contracts subject to prior review by the Bank, the CFU Procurement Specialist shall not proceed with contract award without receiving the Bank's confirmation of satisfactory resolution of complaint.
31. For all contracts, whether subject to the Bank's prior review or post review, the CFU Procurement Specialist publishes the contract award in UNDB through STEP and through the MoME's website;
32. The CFU Procurement Specialist returns the financial proposals of the firms which did not pass the technical evaluation stage.

Procedures for selection of a firm under Consultant's Qualifications Selection (CQS)

1. MoME/PIU prepares TOR, establishes the Evaluation Committee (EC) and submits the decision on establishment of EC and TOR to the CFU Procurement Specialist;
2. The CFU Procurement Specialist submits the TOR to the Bank for review and no objection through STEP;
3. The CFU Procurement Specialist prepares the REOI to be published by the PIU in the national newspapers of wide coverage. The TOR should be published together with the REOI in MoF website and CFU Procurement Specialist will include a link in the REOI. Advertisement of REOIs is not mandatory;
4. From the firms that have submitted an EOI, the EC selects the firm with the best qualifications and relevant experience;
5. The CFU Procurement Specialist prepares the evaluation report based on the work conducted by the EC;
6. The CFU Procurement Specialist prepares the Request for Proposals and invites the firm with the best qualifications and relevant experience to submit its technical and financial proposals which will be the basis for negotiations;
7. The negotiation, carried out by the EC, will include: discussion of technical proposal, work plan, staffing and firm's suggestions to improve the TOR, MoME and firm's agreement on the final TOR to be incorporated in the description of services, including adjustment of the financial proposal where appropriate, clarification on tax issues, if any, and on how to account for them in the Contract;
8. If negotiations with the best qualified consultant fail, CFU Procurement Specialist shall invite for negotiations the second highest score consultant with Bank's prior approval;

9. The CFU Procurement Specialist shall incorporate the results of the negotiations in a Draft Contract to be sent to Bank for no objection through STEP for contracts subject to prior review;
10. Once the Bank's no Objection is obtained, the contract is signed between the consultant and MoF;
11. For contracts subject to post review, after the preparation of evaluation report and successful contract negotiations the contract is signed between the consultant and MoME;
12. For all contracts, whether subject to the Bank's prior review or post review, the CFU Procurement Specialist submits the copy of the signed contract to the Bank through STEP;
13. The CFU Procurement Specialist publishes the contract award in UNDB through STEP if there is a foreign firm which expressed interest to the assignment. Otherwise, publication in the MoME's website would suffice.
14. At this stage, the CFU Procurement Specialist enters the following data in Contract Management Module (CMM), namely assigns a Contract Manager, records the receipt of the performance security, where applicable, records detail of contract signing and notifying the Bank of contract signing and prepares the roadmap of key contractual dates and milestones (planned dates).
15. PIU and designated Contract Manager are responsible for contract implementation and managing the contract. In the CMM, this includes finalizing the contract management plan and using this contract management plan to manage the contract. This means that the Contract Manager is responsible for recording actual dates of activities (KPIs, Deliverables, Payments...) as they occur and monitoring the contract from implementation to completion.
16. Upon request from the PIU providing rationale and details for modification of the contract, the CFU Procurement Specialist will prepare the amendment and if subject to the Bank's prior review, submit it to the Bank through STEP.
17. Once the Bank's no objection is obtained, the Amendment to the contract is signed between the selected consultant and MoF;
18. the CFU Procurement Specialist submits the copy of the signed Amendment to the contract to the Bank through STEP.

Procurement of Goods, Works and Non-Consulting Services

The methods to be used are in Section VI of the Procurement Regulations: Request for Bids (RFB), Request for Quotations (RFQ), and Direct Selection (DS).

Procedures for Request for Bids (RFB)

1. PIU prepares Technical Specification/ Specification (TS/S), establishes the Evaluation Committee (EC) and submits the decision on establishment of EC and TS/S to the CFU Procurement Specialist;
2. The PIU and CFU Procurement Specialist prepares procurement document (Request for Bids- Goods/Works);
3. In case of prior review package, the CFU Procurement Specialist submits procurement document to the Bank for no objection through STEP;
4. Once the Bank's no objection is obtained, the CFU Procurement Specialist advertises the specific procurement notice in national newspapers of wide coverage and also in the UNDB through STEP;
5. The CFU Procurement Specialist issues the RFB;
6. The CFU Procurement Specialist documents any questions/requests for clarifications and their respective answers, and responds to all firms which purchased the bidding documents in consultation with the technical experts, as appropriate;
7. In case there is a need to modify the RFB due to request for clarifications, or due to CFU Procurement Specialist own initiative, such modifications shall be made through an Amendment approved by the Bank. CFU Procurement Specialist may extend the deadline for submission if an Amendment so warrants. Amendments may be sent by mail;
8. The CFU Procurement Specialist opens the bids in public on established date in procurement document, in the presence of representatives of the EC and the bidders' representatives;
9. A copy of the record of bid opening will be prepared and sent to all bidders whose bids were opening and to the Bank if subject to prior review. The same will be uploaded in STEP;
10. The CFU Procurement Specialist prepares evaluation report and recommendations of contract award, based on the evaluation completed by the EC and submit it to the World Bank's no objection through STEP;
11. The CFU Procurement Specialist transmits the Notification of Intention to Award after receiving the Bank's no objection to the evaluation report.
12. Upon expiry of the Standstill Period and addressing any complaint that has been filed within the Standstill Period, the CFU Procurement Specialist shall transmit the notification of award (Letter of Acceptance) and prepare contract agreement for signature;
13. The CFU Procurement Specialist sends signed contract agreement to the World Bank for disbursement and filing purposes through STEP;

14. The CFU Procurement Specialist publishes contract award in UNDB through STEP and on MoF website, notifies the unsuccessful bidders and return their bid securities.
15. At this stage, the CFU Procurement Specialist enters the following data in Contract Management Module (CMM), namely assigns a Contract Manager, records the receipt of the performance security, where applicable, records detail of contract signing and notifying the Bank of contract signing and prepares the roadmap of key contractual dates and milestones (planned dates).
16. PIU and designated Contract Manager are responsible for contract implementation and managing the contract. In the CMM, this includes finalizing the contract management plan and using this contract management plan to manage the contract. This means that the Contract Manager is responsible for recording actual dates of activities (KPIs, Deliverables, Payments...) as they occur and monitoring the contract from implementation to completion.
17. Upon request from the PIU providing rationale and details for modification of the contract, the CFU Procurement Specialist will prepare the amendment and if subject to the Bank's prior review, submit it to the Bank through STEP.
18. Once the Bank's no objection is obtained, the Amendment to the contract is signed between the selected consultant and MoF;
19. the CFU Procurement Specialist submits the copy of the signed Amendment to the contract to the Bank through STEP.

Procedures for Request for Quotations (RFQ)

1. MoME/PIU prepares Technical Specification (TS), establishes the Evaluation Committee (EC) and submits the decision on establishment of EC and TS to the CFU Procurement Specialist;
2. The CFU Procurement Specialist prepares RFQ;
3. The CFU Procurement Specialist sends the RFQ to a limited number of firms or obtain quotations through advertisement with the objective to obtain a minimum of 3 quotations to guarantee competition;
4. The EC will evaluate quotations according to the criteria specified in the RFQ;
5. The Procurement Specialist prepares the evaluation report based on the work conducted by the EC;
6. The Procurement Specialist prepares purchase order or contract agreement incorporating the terms of the accepted quotation;

7. Contract award is published in MoME's website.
8. At this stage, the CFU Procurement Specialist enters the following data in Contract Management Module (CMM), namely assigns a Contract Manager, records the receipt of the performance security, where applicable, records detail of contract signing and notifying the Bank of contract signing and prepares the roadmap of key contractual dates and milestones (planned dates).
9. PIU and designated Contract Manager are responsible for contract implementation and managing the contract. In the CMM, this includes finalizing the contract management plan and using this contract management plan to manage the contract. This means that the Contract Manager is responsible for recording actual dates of activities (KPIs, Deliverables, Payments...) as they occur and monitoring the contract from implementation to completion.
10. Upon request from the PIU providing rationale and details for modification of the contract, the CFU Procurement Specialist will prepare the amendment and if subject to the Bank's prior review, submit it to the Bank through STEP.
11. Once the Bank's no objection is obtained, the Amendment to the contract is signed between the selected consultant and MoF;
12. the CFU Procurement Specialist submits the copy of the signed Amendment to the contract to the Bank through STEP.

The CFU procurement specialist will file in timely manner all above informatio/documents in STEP, starting from the RFP, evaluation report, etc.

Procedures for Direct Selection (DS)

1. PIU prepares Technical Specification (TS) with justification for DS including estimated costs, and submits them to the CFU Procurement Specialist;
2. The CFU Procurement Specialist submits the TS and justification for DS finalized in accordance with the requirements in para. 6.8-6.10 of the Procurement Regulations, including estimated costs, to the Bank for no objection through STEP;
3. Once the Bank's no objection is obtained for the DS, the CFU Procurement Specialist sends contract conditions to the supplier;
4. If the contract is subject to prior review, the CFU Procurement Specialist sends draft contract to the WB for no objection before contract signing;
5. Once the Bank's no objection is obtained, the contract is signed between the supplier and MoF;
6. For contracts subject to post review, after the no objection for DS, the contract is negotiated and signed between the supplier and MoF;

7. For all contracts, whether subject to the Bank's prior review or post review, the CFU Procurement Specialist submits the copy of the signed contract to the Bank through STEP;
8. Contract award is published in MoF website and through STEP.
9. At this stage, the CFU Procurement Specialist enters the following data in Contract Management Module (CMM), namely assigns a Contract Manager, records the receipt of the performance security, where applicable, records detail of contract signing and notifying the Bank of contract signing and prepares the roadmap of key contractual dates and milestones (planned dates).
10. PIU and designated Contract Manager are responsible for contract implementation and managing the contract. In the CMM, this includes finalizing the contract management plan and using this contract management plan to manage the contract. This means that the Contract Manager is responsible for recording actual dates of activities (KPIs, Deliverables, Payments...) as they occur and monitoring the contract from implementation to completion.
11. Upon request from the PIU providing rationale and details for modification of the contract, the CFU Procurement Specialist will prepare the amendment and if subject to the Bank's prior review, submit it to the Bank through STEP.
12. Once the Bank's no objection is obtained, the Amendment to the contract is signed between the selected consultant and MoF;
13. the CFU Procurement Specialist submits the copy of the signed Amendment to the contract to the Bank through STEP.

NOTE: The Procurement Regulations will always be consulted in case of situation not described above.

5.2.4 Evaluation Committee

The judgment of the EC members has to be technically sound and objective, strictly complying with the procedures and evaluation criteria specified in the RFB/RFP, and capable of providing an adequate explanation for each evaluation.

Evaluators' impartiality is as important as their professional expertise and mastery of evaluation techniques. Evaluation process must be objective, fair, and conducted strictly by the rules and procedures set out by the RFP/RFB. EC members must exhibit the highest standards of integrity, which preclude any questionable affiliation with the bidder/proposer/short-listed consultants, including as an employee, consultant, relative, or political or business affiliate. Failure to comply should disqualify the EC member candidate.

All candidates should disclose in advance any perceived, potential, or actual conflict of interest that can affect their objectivity, even if doing so could lead to his/her exclusion from the EC. All members should sign a written declaration (Annex 2.1) to abide by

restrictions on transactions with invited consultants to ensure that the integrity of the evaluation process is preserved.

Before starting the evaluation, all EC members should ensure that they:

- a) have no conflict of interest;
- b) understand the evaluation system;
- c) have been provided with evaluation worksheets; and
- d) agree on how to evaluate the proposals/bids.

The EC adopts decisions in accordance with the relevant World Bank procurement procedures. The decision shall not be adopted until the Committee shall have confirmed the compliance with all procedural formalities.

The CFU Procurement Specialist is in charge of preparing the evaluation reports based on the work of the EC. The EC applies the evaluation criteria set out in the RFP/RFB. It is not authorized to change, amend, or modify the technical specifications and TORs.

5.2.5 General Procurement Notice

The GPN for the Project will be updated as needed.

5.2.6 Post-review Percentages and Frequency

Contracts not subject to Bank's prior review would be subject to post review by the Bank's procurement specialist. Post review of contracts will be carried out once per year. At a minimum, one out of five contracts will be randomly selected for post review.

For all procurement, the Bank's Standard Procurement Documents will be used.

5.2.7 Confidentiality in Procurement

Confidentiality in procurement must be maintained at all times. The contents of any bidding documents or bids/proposals must not be discussed outside of the CFU or Evaluation Committee. Documents with sensitive or confidential information should be locked in the safe at all times, unless being worked with. Confidentiality is maintained until announcement of the award of contract to the successful bidder is published.

The World Bank's Procurement Regulations stress the confidential nature of the evaluation procedures and the World Bank's Standard Procurement Documents warn consultants that any attempt to influence the Borrower in proposal evaluation may result in rejection of the bid.

5.2.8 Fraud and Corruption

It is the World Bank's policy to require that Borrowers, bidders, suppliers, contractors and their agents (whether declared or not), sub-contractors, sub-consultants, service providers or suppliers, and any personnel thereof, observe the highest standard of ethics during the procurement and execution of World Bank-financed contracts. In pursuance of this policy, the World Bank defines, for the purposes of this provision, the terms set forth below as follows:

- a) “corrupt practice” is the offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party;
- b) “fraudulent practice” is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation;
- c) “collusive practice” is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party;
- d) “coercive practice” is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party;
- e) “obstructive practice” is:
 - deliberately destroying, falsifying, altering, or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede a World Bank investigation into allegations of a corrupt, fraudulent, coercive or collusive practice; and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation; or
 - act intended to materially impede the exercise of the World Bank’s inspection and audit rights.

Additionally, the World Bank:

- a) Rejects a proposal for award if it determines that the firm or individual recommended for award, any of its personnel, or its agents, or its sub-consultants, sub-contractors, service providers, suppliers and/or their employees, has, directly or indirectly, engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for the contract in question;
- b) In addition to the legal remedies set out in the relevant Legal Agreement, may take other appropriate actions, including declaring misprocurement, if the Bank determines at any time that representatives of the Borrower or of a recipient of any part of the proceeds of the loan engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices during the procurement process, selection and/or execution of the contract in question, without the Borrower having taken timely and appropriate action satisfactory to the Bank to address such practices when they occur, including by failing to inform the Bank in a timely manner at the time they knew of the practices;
- c) Sanctions, pursuant to the Bank’s Anti-Corruption Guidelines and in accordance with its prevailing sanctions policies and procedures as set forth in the WBG’s Sanctions Framework any firm or individual – determined at any time by the Bank to have engaged in Fraud and Corruption in connection with the procurement process, selection and/or execution of a Bank-financed contract;

- d) Requires that a clause be included in request for bids/request for proposals documents and in contracts financed by a Bank loan, requiring bidders (applicants/proposers), consultants, contractors, and suppliers; and their sub-contractors, sub-consultants, agents, personnel, consultants, service providers or suppliers, permit the Bank to inspect¹ all accounts, records and other documents relating to the procurement process, selection and/or contract execution, and to have them audited by auditors appointed by the Bank;
- e) Requires that, for Bank-financed operations to be implemented utilizing national procurement arrangements, as well as PPPs, agreed by the Bank, bidders (applicants/proposers) and consultants submitting bids/proposals will be required to accept the application of, and agree to comply with, the Anti-Corruption Guidelines during the procurement process, selection and/or contract execution, including the Bank's right to sanction as set forth in paragraph 2.2 d., and the Bank's inspection and audit rights as set forth in paragraph 2.2 e. Borrowers shall consult and apply the World Bank Group's lists of firms and individuals suspended or debarred. In the event a Borrower signs a contract with a firm or an individual suspended or debarred by the World Bank Group, the Bank does not finance the related expenditures and may apply other remedies as appropriate; and
- f) Requires that, when a Borrower selects a United Nations (UN) agency to provide goods, works, non-consulting services and technical assistance services in accordance with paragraphs 6.47-6.48 and 7.27-7.28 of these Procurement Regulations under an agreement signed between the Borrower and the UN agency, the above provisions of paragraph 2 of this annex regarding sanctions on Fraud and Corruption shall apply in their entirety to all contractors, consultants, sub-contractors, sub-consultants, service providers, suppliers, and their employees, that signed contracts with the UN agency. As an exception to the foregoing, paragraphs 2.2 d. and 2.2 e. do not apply to the UN agency and its employees, and paragraph 2.2 e. does not apply to the contracts between the UN agency and its service providers and suppliers. In such cases, the UN agency applies its own rules and regulations for investigating allegations of Fraud and Corruption, subject to such terms and conditions as the Bank and the UN agency may agree, including an obligation to periodically inform the Bank of the decisions and actions taken. The Bank retains the right to require the Borrower to invoke remedies such as suspension or termination. UN agencies shall consult the World Bank Group's lists of firms and individuals suspended or debarred. In the event a UN agency signs a contract or purchase order with a firm or an individual suspended or debarred by the World Bank Group, the Bank does not finance the related expenditures and may apply other remedies as appropriate.

With the specific agreement of the Bank, a Borrower may introduce in to the request for bids/request for proposals document for contracts financed by the Bank, a requirement that the bidder or consultant include in the bid or proposal an undertaking of the bidder or consultant to observe, in the Procurement Process, the country's laws against fraud and corruption (including bribery) as such laws have been identified in the request for bids/request for proposals documents. The Bank will accept the introduction of such a requirement at the request of the Borrower, provided the arrangements governing the undertaking are satisfactory to the Bank.

6. MONITORING AND REPORTING

6.1. Overall monitoring and evaluation (M&E)

The MoME as project implementing entity, and the World Bank will monitor the Project Development Objective (PDO) and intermediate level indicators for the Project, as well as implementation and outcomes of activities under each Project component. In addition, the Project will support building the long-term M&E capacity of the MoME through technical assistance and training.

Monitoring and evaluation (M&E) activities will be carried out by the Project Implementation Unit (PIU) staff housed within the MoME. It is envisaged that one PIU staff member will be responsible for M&E. M&E activities will be based on inputs provided by the LSGUs on the beneficiaries, projects implemented, and disbursements. In order to ensure proper monitoring of the flow of data and funds, a database for standardized data entry and outputs will be developed with assistance of the World Bank and made available to the PIU and the LSGUs as centralized program management tool. The LSGUs will monitor implementation of the SURCE project at the local level and will report to the MoME as per requirements defined in the Financing Agreement Template.

The project will support development of a database and program management support tool will be developed. Both will be made available to the Project Implementation Unit (PIU) and the LSGUs for the collection of data required for M&E: (a) energy savings from investments; (b) disbursed, committed, and invested amounts; (c) repayments; (d) social surveys; (e) periodic program evaluations; and (f) annual stakeholder consultations. In addition, an online civic engagement tool will be developed to gather feedback on program design and implementation from the beneficiaries.

Beneficiary surveys will be organized by the PIU six months after each call for proposals targeting a sample of both rejected and accepted applicants to collect feedback on: i) grant application process and the quality and effectiveness of support received by Energy Refurbishment Commission, ii) grant reporting requirements, iii) level of inclusiveness in the selection process, iv) quality of implemented EE measures. Other feedback subjects might be specified in the survey. The survey results will be used by the MoME to refine the design and implementation arrangements of sub-sequent calls.

Beneficiaries, with support from Energy Refurbishment Commission, shall also submit quarterly or bi-annual progress reports using the templates developed under the project. The PIU, together with Local Self Governments and Energy Refurbishment Commissions, will organize annual stakeholder regional workshops in which the Ministry will present the Project progress, grant disbursements figures for the region, and other progress data checked against plans to ensure transparency. At the regional workshop, the Ministry also present applicant/beneficiary survey results and aggregated grievances (see section 4.6 for description of the Grievance Redress Mechanism) and how these have informed the grant mechanism design.

A mid-term review in 2024 will systematically evaluate the project results and grant implementation modalities with the aim to steer the project towards (i) inclusive access to the program; (ii) maximum possible leveraging of private co-financing; (iii) maximum possible impact on the clean energy transition in Serbia per unit of investment; and (iv) development of a sustainable commercial market for residential clean energy and energy efficiency.

6.2. E&S safeguards monitoring and reporting

The MoME PIU will monitor all individual EE projects financed under the SURCE project to ensure conformity to E&S safeguard requirements during implementation of EE measures.

The PIU will prepare and submit to the Bank via MoME regular monitoring reports on the environmental, social, health and safety (ESHS) performance of the project, including but not limited to, the implementation of the ESCP, status of preparation and implementation of E&S instruments required under the ESCP, stakeholder engagement activities and functioning of the grievance mechanism(s).

Starting from the Loan Agreement effectiveness date, E&S safeguards reports will be submitted as per following frequency: (i) every six months throughout project implementation as a part of the project's progress reports and (ii) for sub projects, at least every six months into implementation unless differently defined by the ESA (ESMP or ESMP Checklist).

The PIU will be responsible for ESMF/ESMP reporting and will:

- Record and maintain the results of project supervision and monitoring throughout the life of the project. It will present summary progress reports on ESMF/ESMP implementation and the environmental and social aspects of individual projects on a semi-annual basis to the World Bank, and as part of this reporting.
- Prepare quarterly or biannual reports on the progress of implementation of measures proposed by the ESMP for selected individual projects;
- Prepare semi-annual reports on the environmental impacts originated during implementation of subprojects and analyze the efficiency of mitigation measures applied to minimize negative consequences;
- Prepare outlines and requirements for Contractors' reports on environmental protection and mitigation measures, and review Contractor's monitoring plan and reports
- Present the impact of mitigation and environmental and social protection measures for general public via specific publications or/and by annual public seminars.

Based on safeguard performance of different subprojects, they will advise on the subsequent disbursements that should be done for the grantees awarded a contract to implement individual EE project under the SURCE project. If it is found that there is ESMF and/or ESF non-compliance, further disbursements will be stopped until ESSs compliance is ensured. Final payment to the direct beneficiary will be contingent on the final inspection. All investments will be monitored by the MoME during the five years after final payment is executed.

ANNEX 1: ROLES AND RESPONSIBILITIES OF THE KEY PROJECT PARTIES

Main Tasks of the Ministry:

- (i) Approval of the documents and overseeing the process and implementation;
- (ii) Issues decisions on award of the financing;
- (iii) Signature of the Contracts with LSGU;

Main tasks of the EEA:

- (i) Assist PIU in all operational activities including coordination and communication with LSGU-s;
- (ii) On the spot check of works, PIU with assistance of EEA staff;
- (iii) Drafting model reports – PIU with EEA assistance;
- (iv) Monitoring and evaluation – PIU and EEA staff;
- (v) Payments: to be checked and documentation for payment to be prepared by PIU with the assistance of EEA;

Main tasks of the PIU:

- (i) Making public calls for LSGUs and managing LSGU application processes, including screening and checking of applications against the terms and eligibility conditions, and compliance with the Project Operations and Grant Manual;
- (ii) Ensuring contracting with LSGUs and managing transfer of funds to LSGUs;
- (iii) Monitoring all aspects of project implementation by LSGUs at the local level and providing support to LSGUs on as needed basis;
- (iv) Preparing documents and other capacity building materials to facilitate project implementation at the local level, including template agreements, checklists, guidelines, etc.;
- (v) Organizing on-the-spot controls on a sample basis to ensure that the expenditure declared has actually been incurred in accordance with applicable rules, the products or services have been delivered in accordance with the approval decisions, and the payment requests by the direct beneficiaries (contractors) are correct. These checks cover financial, administrative, technical and physical aspects of operations, as appropriate;
- (vi) Planning and implementing social and environmental monitoring and reporting, including conducting regular supervision of environmental and social screening, documentation, and mitigation measures for sub-project activities, and including the summaries of these supervision activities in regular reports;
- (vii) Reviewing payment requests and preparing payment lists to be handed to the CFU for processing payments to direct beneficiaries (Contractors);
- (viii) Implementing the Stakeholder Engagement Plan, in close coordination with other key stakeholders (i.e. Local Governments (line departments included), Extension Services, and local NGOs);
- (ix) Organizing beneficiary surveys and address complaints/feedback from Project stakeholders and the public, including grievances regarding environmental/social impacts of subprojects;
- (x) Preparing progress reports on grants implementation, including the status of the Environmental and Social Commitment Plan and other E&S safeguard measures implementation based on the reports submitted by beneficiaries; and

- (xi) Liaising with the monitoring and evaluation (M&E) Unit of MoME in relation to SURCE project monitoring and evaluation.

Main tasks of the LSGU's Commission:

- (i) raise awareness about project funding opportunities and implementation arrangements;
- (ii) prepare application documentation for businesses and households (public calls, application forms, other documents);
- (iii) advertise public calls and publishing the accompanying documents on the physical notice board and official web site of the City/Municipality;
- (iv) receive and assess applications;
- (v) approving applications of eligible businesses and households by decisions;
- (vi) adopt and publish a list of selected businesses and households on the physical notice board and official web site of the City/Municipality; and, based on this preliminary list, making field visits when appropriate;
- (vii) assess and decide on complaints;
- (viii) ;
- (ix) prepare a draft Trilateral agreement on co-financing of energy rehabilitation measures of a family house / apartment and adopt a decision on the final list of direct and final grant beneficiaries.

ANNEX 2: APPLICATION SCORING CRITERIA

LSGU Applications

Applications will be assessed against the following procedural eligibility criteria (which can be adjusted during project implementation):

Eligibility criteria	YES/NO	Status
The applicant is a unit of local self-government (hereinafter: LSG)		
The applicant applied only with one application		
The application was submitted in printed form		
The application was timely submitted		
The application was signed by the authorized LSGU representative		
The application was signed by Energy Rehabilitation Program Manager		
The application form is filled in the defined form - Annex 1		
The application contains all the necessary documentation: <ul style="list-style-type: none">- Annex 1 - Application form- Annex 2 - Statement on the manner of financing the project-		
The proposed energy rehabilitation measures are on the list of measures given in the public call		
The applicant requested less than the minimum amount of incentive funds stated in the chapter I of the Public Call		

ANNEX 3: PUBLIC CALL TEMPLATES

Pursuant Law on the ratification of the Loan Agreement (Clean Energy and Energy Efficiency for Citizens in Serbia) between the Republic of Serbia and the International Bank for Reconstruction and Development ("Official Gazette of RS - International Agreement", No. 6/22)



THE MINISTRY OF MINING AND ENERGY

(hereinafter: the Ministry)

hereby announces a

PUBLIC CALL

FOR THE ALLOCATION OF FUNDS FOR THE FINANCING OF THE ENERGY REHABILITATION PROGRAM, OF FAMILY HOUSES AND APARTMENTS IN THE LOCAL SELF-GOVERNMENT UNITS AS WELL AS CITY MUNICIPALITIES, PC 1/23 (IN SERBIAN: JP 1/23) (HEREINAFTER: THE PUBLIC CALL)

A Public call for the allocation of funds for the financing of the Energy Rehabilitation Program of family houses and apartments implemented by local self-government units as well as city municipalities, PC 1/23, which will consist of individual projects of energy rehabilitation of family houses and apartments (hereinafter: the Program), implemented by local self-government units as well as city municipalities (hereinafter: the LSGUs), for the purpose of achieving energy savings and its rational use, as well as achieving the goals of the project "Scaling-Up Residential Clean Energy (SURCE)".

1. SUBJECT MATTER AND CONDITIONS FOR THE ALLOCATION OF FUNDS

The subject matter of the Public Call is the financing of the Program, which includes the following energy efficiency measures in accordance with Project Operations and Grant Manual:

1) improvement of the thermal envelope through:

(1) the replacement of external windows and doors and other transparent elements of the thermal envelope. This measure also includes the accompanying equipment for windows/doors, such as window sills, window boards, blinds, shutters, etc., as well as accompanying construction works on dismantling and proper installation of windows/doors, such as dismantling of old windows/doors and their transport to the landfill, proper installation of windows, processing around windows/doors with drywall

panels, smoothing, edge processing and painting around windows/doors on the inside of the wall,

(2) the installation of thermal insulation of walls, ceilings above open passages, walls, floors on the ground and other parts of the thermal envelope towards the unheated space,

(3) the installation of thermal insulation under the roof covering. This measure may include, in the event that the roof covering and the waterproofing roof system are damaged, construction works on the replacement of waterproofing and other layers of the roof covering, as well as sheet metal works, but not the works on the replacement of structural elements of the roof;

2) improving thermal-technical system of a building by replacing the system or part of the system with a more efficient system through:

(1) the replacement of the existing space heater (boiler or furnace) by a more efficient one,

(2) the replacement of the existing pipe network or the installation of a new pipe network, radiator heating bodies and accompanying accessories,

(3) the installation of heat pumps (space heater or combination heater),

(4) installation of electronically regulated circulator pumps,

(5) equipping the heating system with devices for regulating and measuring the amount of heat delivered to the facility (calorimeters, heat dividers, balancing valves),

3) installation of solar collectors in the installation for central preparation of domestic hot water,

4) installation of solar panels and accompanying installations for the production of electricity for own needs, installation of a bi-directional metering device for the measuring of the delivered and received electricity and the preparation of the required technical documentation and reports of the contractor for the installation of solar panels and accompanying installations for the production of electricity, which are, in accordance with the law, necessary in the course of connection to the distribution system.

The minimum amount of incentives that a LSGU may request in the application for the Public Call, in accordance with the number of inhabitants in the territory of the LSGU, and according to the 2022 census of population, households and apartments in the Republic of Serbia, is as follows:

Number of inhabitants of a LSGU	Minimum amount of incentives
Over 100.000	10.000.000
80.000- 100.000	7.500.000
60.000 – 80.000	6.500.000
50.000 – 60.000	5.500.000
40.000 – 50.000	4.500.000
30.000 – 40.000	3.500.000
20.000 – 30.000	2.500.000
10.000 - 20.000	2.000.000

Up to 10.000	1.500.000
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In accordance with the level of development of a LSGU determined by the Decree on the establishment of a unified list of development of regions and local self-government units for the year 2014 ("Official Gazette of RS", No. 104/14), the LSGUs belonging to the fourth group whose level of development is below 50% of the Republic average, namely: Babusnica, Bela Palanka, Bojnik, Bosilegrad, Bujanovac, Vladicin Han, Golubac, Zitoradja, Kursumlija, Lebane, Mali Zvornik, Medvedja, Merosina, Presevo, Prijepolje, Svrlijig, Surdulica, Trgoviste and Tutin are obliged to participate with an amount of at least 30% of the total value of incentives allocated by the Ministry and the LSGU. The minimum amount of incentives is not applicable for these LSGUs.

The following 10 local self-government units, namely: Belgrade, Nis, Valjevo, Uzice, Kragujevac, Zajecar, Kosjeric, Smederevo, Novi Pazar and Pirot, which are recognized for high air pollution in the Air Protection Program until 2030 with the Action Plan and based on the results of the monitoring of the emissions of PM10 and PM2.5 suspended particles, are obliged to participate with an amount of at least 40% of the total value of incentives allocated by the Ministry and LSGU.

Other LSGUs are obliged to participate with an amount that is at least equal to the value of the requested incentive funds, i.e. they cannot claim incentive funds that are greater than the funds with which they participate in the financing of the Program.

2. LEGAL ENTITIES ENTITLED TO SUBMIT AN APPLICATION

Local self-government units and city municipalities are entitled to submit an application (hereinafter: the Applicant). The term 'application' shall mean the documents referred to in Section IV of the Public call.

3. DOCUMENTATION TO BE ENCLOSED WHEN SUBMITTING THE APPLICATION

The Applicant is required to submit the following documentation:

- 1) Application form (Annex 1);
- 2) A statement on the manner of financing the Program and the dedicated spending of funds, in accordance with the regulations (Annex 2).

The application is to be submitted in writing with the mandatory submission of all documents in an electronic form on a compact disc or USB memory stick.

The application shall be signed by the President of the municipality/Mayor or a person authorized by the said President of the municipality/Mayor, in which case a written power of attorney should be submitted.

4. DOWNLOAD OF THE DOCUMENTATION FOR THE PUBLIC CALL

The documentation to be submitted for the Public Call can be downloaded from the website, on the following link: <https://mre.gov.rs/aktuelnosti/javni-pozivi> and it contains the following:

- 1) Full text of the Public Call;
- 2) Annex 1 - Application form;
- 3) Annex 2 - Statement on the manner of financing the Program.

5. PLACE AND DEADLINE FOR THE SUBMISSION OF APPLICATIONS

Applications shall be submitted in a sealed envelope with the following indication – **“Application to the Public Call for the financing of the Energy Rehabilitation Program, PC 1/23 DO NOT OPEN”** to the following address:

Ministry of Mining and Energy

Nemanjina 22-26

11000 Belgrade - Savski Venac

PAK Number 3306 On the back of the envelope, state the full name and address of the Applicant.

Deadline for the submission of applications to the clerk’s office of the Ministry is no later than ____ 2023 by 3 p.m.

An application shall be deemed to have been submitted in a timely manner if it was received and certified by the receipt stamp at the clerk’s office of the Administration (at the specified address), no later than 3 p.m. on the last day of the deadline, regardless of the delivery method.

Untimely applications will be dismissed by the decision.

For information regarding the Public Call, you can contact the following e-mail address: E-mail: energetska.efikasnost@mre.gov.rs

All questions and answers will be published on the website of the Ministry of Mining and Energy, on the following link <https://mre.gov.rs/aktuelnosti/javni-pozivi>:
<https://mre.gov.rs/aktuelnosti/javni-pozivi>

LSGUs that have spent the allocated funds under the Public Call have the right to submit a request for additional funds. Annexes to the request will be regulated in the financing agreement.

6. ESTABLISHING THE FULFILLMENT OF THE CONDITIONS FOR THE ALLOCATION OF FUNDS

The Ministry shall determine the fulfillment of the conditions for the allocation of funds on the basis of the review of the submitted documentation referred to in Section III.

During the process of determining the fulfillment of conditions, the Ministry may request additional documentation and information from the Applicant, if necessary.

7. APPROVAL OF FUNDS FOR THE FINANCING OF THE PROGRAM

The Ministry shall determine the fulfillment of the conditions for the allocation of funds by a decision and shall inform by email the Applicant thereof.

The list of LSGUs that have been granted funding for the financing of the program will be published at <https://mre.gov.rs/aktuelnosti/javni-pozivi>:
<https://mre.gov.rs/aktuelnosti/javni-pozivi> .

8. METHOD OF REALIZATION OF ALLOCATED FUNDS

The Ministry will conclude an agreement on financing and implementation of the Program with the Applicants.

In accordance with the Project Operations and Grant Manual and the LGU regulations governing the distribution of funds, the LGU selects business entities and individual energy renovation projects for family houses and apartments through public calls.

Within the public call, it is necessary to include all the energy efficiency measures listed in section 1. of the public call and the preparation of the necessary technical documentation for obtaining appropriate permits/approvals for the execution of works for the implementation of the measures from section 1. of the public call in accordance with the law governing the construction of buildings.

The Ministry's consent must be obtained for the regulation of the LSGU referred to in paragraph 2 of this Section

PREAMBLE

Pursuant to Law on the ratification of the Loan Agreement (Clean Energy and Energy Efficiency for Citizens in Serbia) between the Republic of Serbia and the International Bank for Reconstruction and Development ("Official Gazette of RS - International Agreement", No. 6/22),
the LSGU hereby announces a

Public Call **for the participation of business entities in the implementation of energy** **rehabilitation measures for family houses and apartments in the territory of the** **city/municipality _____**

In accordance with Rulebook _____ and the Project Operations and Grant Manual, a Public Call is announced for the selection of business entities engaged in the production, services and works on energy rehabilitation of family houses and apartments. Energy rehabilitation measures are implemented through cooperation with business entities engaged in production, services and works on energy rehabilitation of residential facilities, and the final beneficiaries of grants are households in the territory of the city/municipality _____. The households that fulfil the conditions for the awarding of funds on the basis of the Public Call for the co-financing of energy rehabilitation measures for family houses and apartments and in the territory of the city/municipality _____ for 2023 may procure goods or services exclusively from business entities selected through this public call.

I. SUBJECT MATTER AND ENERGY EFFICIENCY CRITERIA

The subject matter of the Public Call for participation of business entities in the implementation of energy rehabilitation measures for family houses and apartments in the territory of the city/municipality _____ (hereinafter: the Public Call) is the implementation of the following energy efficiency measures:

The subject matter of the co-financing includes the following energy efficiency measures:

1) Replacement of external windows and doors and other transparent elements of the thermal envelope,

This measure also includes the accompanying equipment for windows/doors, such as window sills, window boards, blinds, shutters, etc., as well as accompanying construction works on dismantling and proper installation of windows/doors, such as dismantling of old windows/doors and their transport to the landfill, proper installation of windows, processing around windows/doors with drywall panels, smoothing, edge processing and painting around windows/doors on the inside of the wall.

It is necessary that the following energy efficiency criteria be met (aligned with the conditions from the operations manual and other documentation defining the technical conditions on the project:

1) External joinery with the following minimum technical characteristics (U-coefficient of heat transfer):

- $U \leq 1.5 \text{ W/m}^2\text{K}$ for windows and balcony doors
- $U \leq 1.6 \text{ W/m}^2\text{K}$ for external door

2) Installation of thermal insulation of walls, ceilings above open passages, walls, floors on the ground and other parts of the thermal envelope towards the unheated space.

It is necessary that the following energy efficiency criterion be met:

External wall on family houses/residential buildings with the following characteristics:

- The minimum thickness for thermal insulation is 10 cm, unless there is no technical possibility to set that thickness of insulation. The colour of the outer envelope/facade should be aligned with the traditional local architecture, avoiding the trend of bright and reflective inadequate colours,

3) Installation of thermal insulation under the roof covering

For this measure, it is also possible to apply together with the measure of installation and procurement of materials for thermal insulation of walls, floors on the ground and other parts of the thermal envelope towards the unheated space for family houses referred to in paragraph 1, item 3), of this section).

This measure may include, in the event that the roof covering and the waterproofing roof system are damaged, construction works on the replacement of waterproofing and other layers of the roof covering, as well as sheet metal works, but not the works on the replacement of structural elements of the roof,

4) Replacement of the existing space heater (boiler or furnace) with a more efficient one (gas boiler)

Procurement and installation of natural gas boilers, space heaters, or replacement of the existing space heater (boiler or furnace) with a more efficient one,

It is necessary that the following energy efficiency criterion be met:

- The minimum degree of utility of the boiler (space heater) using natural gas is 90%. The boiler must be equipped with control functions, such as weatherized control.

5) Replacement of the existing space heater (boiler or furnace) with a more efficient one (biomass boiler)

Procurement and installation of biomass boilers (wood pellets, briquettes, chips),

The following energy efficiency criterion must be met:

- The minimum degree of utility of the biomass boiler (space heater) (wood pellet, briquettes, chips) is 85%. The boiler must be equipped with control functions, such as weatherized control.

6) Installation of heat pumps (space heater or combination heater),

Eligible heat pump aggregates under this measure are: air-to-air heat pumps; air-to-water heat pumps or ground-to-water heat pumps (surface geothermal, including ground installations). The heat pump must meet a minimum SCOP (Seasonal Coefficient of Performance) according to energy source:

- Air, more than 3,4
- Ground, more than 4,0
- Water, more than 4,5 .

7) Replacement of the existing pipe network or an installation of new pipe network, heating bodies and accompanying accessories

This measure comprises the (i) installation of electronically regulated circulator pumps, (ii) replacement and insulation of heat distribution pipelines, (iii) replacement of radiators including thermostat valves, (iv) equipping the heating system with regulation and control devices (balancing valves, dividers, flow controls) and, (v) heat measuring devices, such as calorimeters.

This measure can be applied for only together with the measure of replacement of the existing space heater (boiler or furnace) with a more efficient one, from paragraph 1, item 4) or 5) or 6) of this section. The measure will be supported by the grant level of the respective package 3, or 4, or 5.

8) Installation of solar collectors in the installation for central preparation of consumable hot water.

9) Installation of solar panels and accompanying installations for the production of electricity for own needs, installation of a bi-directional metering device for the measuring of the delivered and received electricity and the preparation of the required technical documentation and reports of the contractor for the installation of solar panels and accompanying installations for the production of electricity which are, in accordance with the law, necessary in the course of connection to the distribution system.

10) Development of energy efficiency study in accordance with the law governing the construction of facilities.

II. RIGHT TO PARTICIPATE IN THE PUBLIC CALL

Business entities that deliver and install materials, equipment and devices for energy rehabilitation through energy efficiency measures referred to in Section I and that meet the following conditions may participate in the public call:

- they have been entered in the register of the Business Registers Agency (hereinafter: the BRA), and they have been registered as companies and entrepreneurs for at least six months as of the day of submission of the application,
- no bankruptcy or liquidation proceedings have been initiated against them,
- they have attestations for the materials and products they sell,
- the offer of the business entity to the citizen lasts at least 60 days from the date of issuance of the pro forma invoice.

In addition to the abovementioned conditions, for the measure referred to in Section I, paragraph 1, item 8) of the Public Call, it is necessary that the business entities meet the following conditions as well:

- have an employee or otherwise engaged electrical engineer holding a license in accordance with the law governing the construction of facilities, and who will be in charge of preparing reports for the installed solar panels for electricity production;

- give a warranty for the inverter of a minimum of five years and for solar collectors of a minimum of ten years.

III. DOCUMENTATION TO BE ENCLOSED WHEN SUBMITTING APPLICATIONS

The application to a public call submitted by a business entity (hereinafter: the Application) contains an application form with the enclosed documentation.

The application form is annexed to the public call and contains in particular:

- 1) general data on the business entity;
- 2) details of the legal representative;
- 3) profile of the business entity;
- 4) price overview of goods and services sold or provided,
- 5) Attestations and test reports of equipment and products that must meet minimum energy efficiency criteria.

For entrepreneurs, the Application must be submitted by the person who registered the activity as an entrepreneur. For cooperatives, it is necessary to submit a statement from the director. This statement must be made after the date of publication of the Public Call.

In the event that the founder of the business entity is a foreign legal entity, a statement will be made by the legal representative of the applicant. If there are several legal representatives of the applicant, it is necessary that they all submit the aforementioned statement, which does not have to be certified by a notary public.

In the event that the founder of the business entity is a foreign natural person, it is necessary that all legal representatives of the applicant submit the aforementioned statement, which does not need to be certified by a notary public.

IV. DOWNLOAD OF THE DOCUMENTATION FOR THE PUBLIC CALL

The documentation for the Public Call can be downloaded from the following website _____, or collected in person at the premises of the LSGU, _____ and contains:

- Full text of the Public Call,
- Annex 1 - Application form,
- Annex 2 – Statement of the applicant number 1,
- Annex 3 – Statement of the applicant number 2,

V. PLACE AND DEADLINE FOR THE DELIVERY OF APPLICATIONS

The Public Call will last until the funds have been exhausted on the project "Scaling-Up Residential Clean Energy (SURCE)", and for the maximum duration until 31st of December 2027

The Applicants (hereinafter: the Applicants) shall fill in the said Application form in Serbian language, in Cyrillic script.

The completed, certified and printed out application form in three copies (one original and two copies) and the accompanying documentation are to be submitted in a sealed envelope with the following indication: **"Application for the public call for the participation of business entities in the implementation of energy rehabilitation measures in households – do not open"**, with the sender's full address on the back of the envelope.

Applications should be submitted by mail to the address _____ - Commission for the implementation and monitoring of the implementation of Energy Rehabilitation Measures (hereinafter: the Commission) or in person at the clerk's office in the city/municipal administration building.

For any additional information and notices regarding the Public Call, the Applicant may contact the following phone number _____ or e-mail address: e-mail: _____.

All questions and answers will be published on the LSGU website on the following link: _____.

VI. DETERMINATION OF THE FULFILLMENT OF THE CONDITIONS FOR THE ALLOCATION OF FUNDS

The Commission shall determine the fulfillment of the conditions for the selection of a business entity for the implementation of energy rehabilitation measures on the basis of the review of the submitted documentation referred to in Section III.

During the procedure of determining the fulfillment of the conditions, the Commission may request additional documentation and information from the Applicant, if necessary.

VII. ESTABLISHMENT OF THE LIST OF BUSINESS ENTITIES

The Commission determines the fulfillment of the conditions by a decision and informs the Applicant thereof.

The Applicant shall have the right to object to the decision referred to in paragraph 1 of this Section establishing that the conditions for the selection of a business entity for the implementation of energy rehabilitation measures have not been met, within eight days from the date of the adoption of the decision.

The Commission shall decide on the objections referred to in paragraph 2 of this Section within 15 days from the date of receipt of the objection.

The Commission shall establish a list of business entities who have met the requirements of the Public Call on the basis of the decision referred to in item 1) and publish it without delay (or within one day) on the website of the LSGU _____.

Amendments to the list referred to in paragraph 4 of this Section shall be made as necessary every 15 days.

The list referred to in paragraph 4 of this Section shall be valid until the completion of the project "Clean Energy and Energy Efficiency for Citizens in Serbia", of which the Commission shall inform the business entities in a timely manner.

The households eligible for co-financing may procure goods and services exclusively from business entities listed in the list referred to in paragraph 4 of this Section.

VIII. IMPLEMENTATION PROCEDURE

Following the publication of the first list referred to in paragraph 4 of the Section VII, the LSGU will start the process of selecting end-beneficiaries (households) through a public call.

After determining the conditions for the allocation of subsidies for an individual project of the end beneficiary, tripartite agreements are signed between the LSGU, business entity and the end user on the implementation of energy rehabilitation measures.

The LSGU will transfer funds exclusively to business entities, and not to end beneficiaries, after the individual end beneficiary makes the payment of his entire obligation to the business entity and after the completion of the implementation of the measure.

Number _____

City/Municipality _____2023

COMMISSION

PREAMBLE

Pursuant to Law on the ratification of the Loan Agreement (Clean Energy and Energy Efficiency for Citizens in Serbia) between the Republic of Serbia and the International Bank for Reconstruction and Development ("Official Gazette of RS - International Agreement", No. 6/22),

the LSGU hereby announces a

PUBLIC CALL

for the co-financing of energy rehabilitation measures for family houses and apartments on the territory of the city/municipality of _____ for 2023
(hereinafter: the Public Call)

I. SUBJECT MATTER OF THE CO-FINANCING OF ENERGY REHABILITATION MEASURES

The subject matter of the co-financing includes the following energy efficiency measures:

1) Replacement of external windows and doors and other transparent elements of the thermal envelope,

This measure also includes the accompanying equipment for windows/doors, such as window sills, window boards, blinds, shutters, etc., as well as accompanying construction works on dismantling and proper installation of windows/doors, such as dismantling of old windows/doors and their transport to the landfill, proper installation of windows, processing around windows/doors with drywall panels, smoothing, edge processing and painting around windows/doors on the inside of the wall.

It is necessary that the following energy efficiency criteria be met (aligned with the conditions from the operations manual and other documentation defining the technical conditions on the project:

1) External joinery with the following minimum technical characteristics (U-coefficient of heat transfer):

- $U \leq 1.5 \text{ W/m}^2\text{K}$ for windows and balcony doors
- $U \leq 1.6 \text{ W/m}^2\text{K}$ for external door

2) Installation of thermal insulation of walls, ceilings above open passages, walls, floors on the ground and other parts of the thermal envelope towards the unheated space.

It is necessary that the following energy efficiency criterion be met:

External wall on family houses/residential buildings with the following characteristics:

- The minimum thickness for thermal insulation is 10 cm, unless there is no technical possibility to set that thickness of insulation. The colour of the outer envelope/facade should be aligned with the traditional local architecture, avoiding the trend of bright and reflective inadequate colours,

3) Installation of thermal insulation under the roof covering

For this measure, it is also possible to apply together with the measure of installation and procurement of materials for thermal insulation of walls, floors on the ground and other parts of the thermal envelope towards the unheated space for family houses referred to in paragraph 1, item 3), of this section).

This measure may include, in the event that the roof covering and the waterproofing roof system are damaged, construction works on the replacement of waterproofing and other layers of the roof covering, as well as sheet metal works, but not the works on the replacement of structural elements of the roof,

4) Replacement of the existing space heater (boiler or furnace) with a more efficient one (gas boiler)

Procurement and installation of natural gas boilers, space heaters, or replacement of the existing space heater (boiler or furnace) with a more efficient one,

It is necessary that the following energy efficiency criterion be met:

- The minimum degree of utility of the boiler (space heater) using natural gas is 90%. The boiler must be equipped with control functions, such as weatherized control.

5) Replacement of the existing space heater (boiler or furnace) with a more efficient one (biomass boiler)

Procurement and installation of biomass boilers (wood pellets, briquettes, chips),

The following energy efficiency criterion must be met:

- The minimum degree of utility of the biomass boiler (space heater) (wood pellet, briquettes, chips) is 85%. The boiler must be equipped with control functions, such as weatherized control.

6) Installation of heat pumps (space heater or combination heater),

Eligible heat pump aggregates under this measure are: air-to-air heat pumps; air-to-water heat pumps or ground-to-water heat pumps (surface geothermal, including ground installations). The heat pump must meet a minimum SCOP (Seasonal Coefficient of Performance) according to energy source:

- Air, more than 3,4
- Ground, more than 4,0
- Water, more than 4,5

7) Replacement of the existing pipe network or an installation of new pipe network, heating bodies and accompanying accessories

This measure comprises the (i) installation of electronically regulated circulator pumps, (ii) replacement and insulation of heat distribution pipelines, (iii) replacement of radiators including thermostat valves, (iv) equipping the heating system with regulation and control devices (balancing valves, dividers, flow controls) and, (v) heat measuring devices, such as calorimeters.

This measure can be applied for only together with the measure of replacement of the existing space heater (boiler or furnace) with a more efficient one, from paragraph 1, item 4) or 5) or 6) of this section. The measure will be supported by the grant level of the respective package 3, or 4, or 5.

8) Installation of solar collectors in the installation for central preparation of consumable hot water.

9) Installation of solar panels and accompanying installations for the production of electricity for own needs, installation of a bi-directional metering device for the measuring of the delivered and received electricity and the preparation of the required technical documentation and reports of the contractor for the installation of solar panels and accompanying installations for the production of electricity which are, in accordance with the law, necessary in the course of connection to the distribution system.

10) Development of energy efficiency study in accordance with the law governing the construction of facilities

II. GRANT AMOUNTS

The maximum amount of grants per Public Call is RSD

The grants will be awarded to households that meet the conditions of the Public Call until the funds referred to in paragraph 1 of this Section are exhausted.

LSGU shall be entitled to amend paragraph 1 of this Section with regard to the increase of the grants to be awarded.

Maximum grant levels (align with the conditions from the operations manual and other documentation defining the technical conditions on the project):

- up to 50% for individual measures;
- up to 55% for package 1 which represents a combination of measures from items 1) and 3) – “Light package”;
- up to 60% for package 2 which includes the measures from items 1), 2) and/or 3) and/or 4) or 5) – “Standard package”;
- up to 65% for package 3 which includes “Standard package” plus the measures referred to items 6) and/or 9) or 8)– “Advanced package”.

The measure 7) replacement of heating system, will be supported by the grant level of the respective package ‘standard’ or ‘advanced’, which includes the replacement of the existing space heater

Maximum grant amounts by energy efficiency measures and packages:

- for the measure referred to in item 1) RSD _____;
- for the measure referred to in item 2) RSD _____;
-
- for the package 1 RSD _____;
- for package 2 RSD _____;
-

Granting of a ‘Social bonus’

A ‘social bonus’ will be granted to those households who have the proven status of the "energy vulnerable customer", or households who receive social assistance will receive grant support for EE rehabilitation of _____13%, independent on the selection of EE measures, independent measure or combination.

¹³ The level of grant support (percentage) for energy vulnerable customer", or households who receive social assistance will be defined after further analysis and discussion between participants in the SURCE Program

The maximum grant amount is calculated on the basis of the maximum grant level, but it may not exceed the stated maximum amounts of these funds by energy efficiency measures and packages.

The total planned grants awarded by the city/municipality together with the funds of the Ministry through this call amount to RSD _____ million.

III. CONDITIONS FOR THE AWARDING OF INCENTIVE GRANTS FOR ENERGY REHABILITATION OF RESIDENTIAL BUILDINGS

For the measure referred to in Section I, item 2), thermal insulation incentives shall not be approved for individual floors of residential buildings. If a residential building has two or more owners, the application shall be submitted by one of the owners with the written consent of the other owners. Semi-basements whose facade wall is lined with stone or similar material do not need to be thermally insulated.

Double facilities with different owners as well as facilities in a row shall be treated as separate facilities.

For the measure referred to in Section I, item 1) of the Public Call, the funds will not be approved for the procurement and installation of individual windows and doors. The funds will not be approved for the procurement of entrance doors to residential buildings that are not directly connected to the heated space.

For residential facilities with multiple floors of one owner, the funds can be used to replace joinery on one or all floors, provided that the replacement of joinery on each of the floors is complete.

Owners of individual floors in a residential building shall submit individual applications for the replacement of joinery.

Households may be awarded grants for energy rehabilitation at most once in 12 months.

IV. GRANT BENEFICIARIES

Grant beneficiaries are households residing in family houses and apartments (hereinafter: the facility), except the following:

- 1) households where one or more members own a separate part of a residential-commercial building not used for housing;
- 2) households where one or more members own a residential building who, in the previous two years after the delivery of the decision on the award of the grant for similar activities, abandoned the implementation of activities.

V. CONDITIONS FOR APPLYING TO A PUBLIC CALL

The right to participate in the Public Call is granted to households that reside in the facilities and meet the following conditions:

- 1) that the applicant:
 - (1) is the owner of the facility, or
 - (2) if the applicant is not the owner, then that the applicant has a registration of residence at the address of the facility for which the application is submitted, in

- which case it is necessary to submit a written consent of the owner of the facility with the application,
- 2) that the facility is inhabited and enclose with the application a copy of the electricity bill showing that the electricity consumption in the facility in the previous month was at least 30 kwh.

If there is more than one owner of the facility, it is necessary to submit the consent of other owners in the course of the application process.

VI. INELIGIBLE COSTS

Ineligible costs – The costs that will not be financed through a public call from the LSGU budget are as follows:

- 1) costs of works, procurement of materials and equipment incurred before the first visit of the Commission for the implementation of energy rehabilitation measures of the city/municipality;
- 2) costs related to the procurement of equipment: customs and administrative costs;
- 3) costs related to the approval and implementation of a bank loan: costs of granting loans, interest costs, costs of the credit reporting agency, costs of securing loans, etc.;
- 4) reimbursement of costs for already procured equipment and services performed (paid or delivered);
- 5) procurement of equipment that the grant applicant produces himself or for services that the applicant performs himself.

Other costs that are not in accordance with energy rehabilitation measures.

VII. MANDATORY DOCUMENTATION TO BE ENCLOSED ALONG WITH THE APPLICATION TO THE PUBLIC CALL

The application submitted to the public call by households shall contain in particular:

- 1) signed and filled in Application form for co-financing energy efficiency measures (Annex 1) with filled in information on the measure for which it is applied and on the condition of construction (facade) elements and heating system of the facility;
- 2) photocopies of ID cards or printouts of ID cards for all natural persons living at the address of the facility for which the application is submitted. For minors, submit photocopies of health booklets;
- 3) a photocopy of the electricity bill for the last month for the residential facility that is the subject of the application, as a proof of residence in the registered residential facility (the minimum consumption cannot be less than 30 kWh per month);
- 4) certificate on the possibility of connection to the gas network for the measure of procurement of a gas boiler (for the procurement of a natural gas boiler);
- 5) priced bill of quantities for equipment with the installation issued by the business entity from the list of direct beneficiaries (business entities) (Annex 2) published by the City/Municipality;
- 6) a statement on household members with a photocopy of identity cards for each household member with clearly visible address of residence;

- 7) a signed statement of consent that the authority can inspect, obtain and process, for the purposes of the procedure, the data on facts on which official records are kept, which are necessary in the decision-making process (Annex 3).

Households who intend to apply for the social grant will have to provide a proof of their status as an energy vulnerable customer or social assistance beneficiary, in addition to documentation set forth in paragraph 1.

VIII. DOWNLOAD OF THE DOCUMENTATION FOR THE PUBLIC CALL

The documentation for the Public Call can be downloaded from the website of the Municipality of _____, or collected at the reception desk of the municipality and contains (align with the conditions from the operations manual and other documentation defining the conditions on the project):

- 1) **Full text of the Public Call,**
- 2) **Annex 1 - for citizens - Application form and form on the condition of the family house or apartment**
- 3) **Annex 2 - List of business entities/contractors from which citizens choose one contractor and from whom they must obtain a pro forma invoice specifying the price for equipment and installation.**
- 4) **Annex 3 - Signed Declaration of Consent**

IX. PLACE AND DEADLINE FOR THE SUBMISSION OF APPLICATIONS

The Public Call will last until 31st of December 2023.

Completed, signed and printed out application form in three copies (one original and two copies) and documentation from the Section VII of the Public Call shall be submitted in a sealed envelope with the indication:

“APPLICATION FOR PUBLIC CALL for the co-financing of energy rehabilitation measures for family houses and apartments related to the improvement of thermal envelope, thermal-technical installations and installation of solar collectors for central preparation of consumable hot water and solar panels for electricity production - DO NOT OPEN”, with the full address of the sender on the back of the envelope.

For any additional information and notices regarding the Public Call, you can contact the phone number _____ and send an e-mail to the following e-mail address: e-mail: _____

All questions and answers will be published on the website of the Municipality. Untimely applications will be dismissed by the decision.

Applications that do not contain the elements referred to in paragraph 2 of this Section shall be rejected by a decision to which the applicant may submit an objection to the Commission for the implementation and monitoring of the implementation of energy rehabilitation measures (hereinafter: the Commission).

X. DETERMINATION OF THE FULFILLMENT OF THE CONDITIONS FOR THE ALLOCATION OF FUNDS

The Commission shall determine the fulfilment of conditions for the awarding of grants on the basis of a review of the submitted documentation from Section VII of the Public Call.

During the process of determining the fulfilment of the conditions, the Commission may conduct a field visit to inspect the condition of the residential structure and verify the data stated in the application to the Public Call, as well as request additional documentation and information from the applicant, if necessary.

9. XI. APPROVAL OF GRANTS FOR THE FINANCING OF ENERGY REHABILITATION PROJECTS

The Commission shall determine the fulfilment of the conditions for the awarding of the funds by means of a decision and shall inform the applicant thereof.

The applicant shall have the right to object to the decision referred to in paragraph 1 of this Section establishing that the conditions for awarding a grant have not been met, within eight days from the date of the adoption of the decision.

The Commission shall decide on the objections referred to in paragraph 2 of this Section within 15 days from the date of receipt of the objection.

The list of households approved by the decision referred to in paragraph 1 of this Section for the financing of the program will be published on the following website:_____.

XII. METHOD OF REALIZATION OF ALLOCATED FUNDS

Following the adoption of the decision referred to in Section XI, paragraph 1 of the Public Call approving the funds for the financing of energy rehabilitation projects, a tripartite agreement shall be signed between the LSGU, business entity and the household on the implementation of the energy rehabilitation project.

The LSGU will perform the transfer of funds exclusively to business entities, and not to end beneficiaries, after the individual end beneficiary makes a payment in full to the business entity for his obligation and after the completion of the implementation of the energy rehabilitation project.

The condition for the transfer of funds to business entity referred to in paragraph 2 of this Section shall be the confirmation by the Commission that the works have been carried out as stipulated by the priced bill of quantities submitted by the household as part of this public call as well as in accordance with the records of the Commission.

ANNEX 4: FINANCING AGREEMENT TEMPLATE



Republic of Serbia
MINISTRY OF MINING AND ENERGY

No. _____

Date:

Belgrade

22–26 Nemanjina Street

Pursuant Law on the ratification of the Loan Agreement (Clean Energy and Energy Efficiency for Citizens in Serbia) between the Republic of Serbia and the International Bank for Reconstruction and Development (“Official Gazette of RS - International Agreement”, No. 6/22)

1. Republic of Serbia, **Ministry of Mining and Energy**,

and

2. **City/Municipality** _____, street _____, TIN: _____,
registration number: _____ (hereinafter: the Beneficiary), represented by

Concluded on _____ 2023:

CONTRACT

on

co-financing the program of energy rehabilitation of residential buildings, family houses and apartments implemented by _____

The Contracting Parties hereby agree on the following:

- that on _____, a Public Call was announced for the allocation of funds for financing the Program of energy rehabilitation of residential buildings, family houses and apartments implemented by local self-government units, PC _____;
- the city/municipality _____ has met the requirements from the Public Call for financing the Program of energy rehabilitation of residential buildings, family houses and apartments;
- by the Decision, _____, the Beneficiary was allocated incentive funds to finance the program of energy rehabilitation of residential buildings, family houses and apartments implemented by the LSGs (hereinafter: Incentives);

- allocated funds represent an earmarked transfer that can be used for a specific purpose defined by this Agreement in accordance with the law governing the financing of local self-governments, and in case of non-compliance with contractual obligations, the Beneficiary is obliged to reimburse it in full to the budget of the Republic of Serbia;
- all funds from this contract are stated with value added tax.

SUBJECT OF THE CONTRACT

Article 1

The subject of this contract is the co-financing of the Program for energy rehabilitation of residential buildings, family houses and apartments (hereinafter: the Program), through Incentive funds and transfer of funds to the Beneficiary for co-financing of the Program in accordance with the Request of the Beneficiary.

AMOUNT OF FUNDS

Article 2

The total incentive funds for the implementation of the Program are _____ dinars.

The Ministry shall provide the amount of Incentive funds from the Decision, i.e. _____ dinars.

The Beneficiary shall participate in the Program financing in the minimum amount of _____ dinars.

The Beneficiary can finance only the measures from the Public Call, which the Beneficiary has stated in his/her application in the Public Call (hereinafter: the Application).

REGULATION OF THE BENEFICIARY AND ITS APPLICATION

Article 3

Within 10 days from the day of signing the contract, the Beneficiary shall submit to the Ministry a draft regulation in electronic form so that the Ministry can provide it consent, and this draft regulation will regulate the further distribution of Incentive funds for individual energy rehabilitation projects of residential buildings, family houses and apartments.

The Beneficiary shall submit to the Ministry a proposal of a public call for end users in electronic form.

The regulation referred to in paragraph 1 of this Article shall regulate the manner of Program implementation in cooperation with business entities engaged in production, services and works on energy rehabilitation of residential buildings, family houses and apartments, and the end users of incentives are households and housing communities.

The Beneficiary of funds shall select business entities referred to in paragraph 3 of this Article through public calls and it shall select individual energy rehabilitation projects for residential buildings, family houses and apartments, in accordance with the regulation referred to in paragraph 1 of this Article.

The Beneficiary will limit the maximum total incentive funds for the end user to apply for each individual energy efficiency measure, and the end user is obliged to provide a difference of funds up to the full amount of value for the implementation of an individual project.

The Beneficiary will in particular limit the acceptable prices per unit of measure, for the application of the end user, as follows:

- 1) price per square meter of thermal insulation, which includes works and procurement of materials for installing thermal insulation on walls, roofs,

ceilings and other parts of the thermal envelope on the unheated space of residential buildings, family houses and apartments;

- 2) the price of the basic version and installation of boilers, biomass (wood pellets, briquettes, wood chips, wood pyrolysis) and natural gas, space heaters;
- 3) the price of the basic version and installation of heat pumps;
- 4) price per required liter of sanitary hot water and installation of solar collectors for heating sanitary water.
- 5) The price of the basic version of the PV pannels;

When deciding, the Beneficiary will allocate to the end user a smaller amount than:

- 1) the amount referred to in paragraph 5 of this Article,
- 2) 50% of the amount obtained by multiplying the quantity/capacity from the submitted pro forma invoice and the price referred to in paragraph 6 of this Article,
- 3) 50% of the total reported amount by the end user.

The Beneficiary shall conclude agreements with selected business entities which will regulate mutual rights and obligations. The Beneficiary may conclude contracts with end users, provided that such contract is concluded with the selected business entity as well.

The Beneficiary will transfer the funds exclusively to the selected business entities, and not to the end users, after the individual end user has fully paid the entire amount in accordance with his/her commitment. The Beneficiary will transfer funds to selected business entities in accordance with the concluded contract.

The Ministry may object to the regulation referred to in paragraph 1 of this Article and the draft public call referred to in paragraph 2 of this Article, and the Beneficiary shall harmonize the text of the proposed regulation and the proposed public call with the Ministry.

The Beneficiary shall obtain all prescribed permits, approvals and consents required for the implementation of this contract, before the start of the implementation of individual energy rehabilitation projects by end users.

The draft regulation referred to in paragraph 1 of this Article and the draft public call referred to in paragraph 2 of this Article shall be submitted to the Ministry at: _____ within 10 days from the day of signing the contract.

The model of the regulation referred to in paragraph 1 of this Article is an integral part of Contract (Annex 1)..

A more detailed explanation of paragraph 6 and paragraph 7 of this Article can be found in the submitted rulebook model.

PAYMENT

Article 4

The Ministry shall transfer the funds referred to in Article 2, paragraph 2 of Contract to the Beneficiary, in accordance with the liquidity possibilities of the budget, after the decision of the Beneficiary making regulation referred to in Article 3, paragraph 1 of Contract is made.

The decision referred to in paragraph 1 of this Article must be made in accordance with the consent of the Ministry referred to in Article 3, paragraph 1 of this Contract.

Along with the request for transfer of funds, the Beneficiary submits to the Ministry the following:

- 1) the decision of the Beneficiary enacting the regulation referred to in Article 3, paragraph 1 of this Contract,
- 2) means of financial security referred to in Article 5 of this Contract,

- 3) number of the budget execution account of the Beneficiary, in accordance with the Rulebook on conditions and manner of keeping accounts for payment of public revenues and distribution of funds from those accounts ("Official Gazette of the Republic of Serbia", No. 16/16, 49/16, 107/16, 46/17, 114/17, 36/18, 44/18 – other law, 104/18, 14/19, 33/19, 68/19, 151/20 and 19/21), to which the Ministry will transfer allocated funds.

Prior to the transfer of funds, the Ministry can request from the Beneficiary to submit additional documentation or an explanation which the Beneficiary must submit without delay.

The Ministry shall not transfer funds at the request of the Beneficiary, until the Beneficiary submits the bill of exchange and the documentation referred to in Article 5 of this Contract and the evidence referred to in paragraph 2 of this Article, i.e. the explanation and additional documentation referred to in paragraph 3 of this Article.

After submission, reviewing and accepting the bill of exchange and documentation referred to in Article 5 of this Contract, as well as the stated evidence and explanations, the Ministry shall transfer the funds in accordance with the request of the Beneficiary, and no later than until the adoption of the list of selected business entities.

The Beneficiary shall use the allocated Incentive funds exclusively for the implementation of the Program, in accordance with the requirements of the Public call, and in order to achieve the objectives set out in the Public call.

Article 5

The Beneficiary shall submit to the Ministry a blank bill of exchange with the request for transfer of funds, as an instrument of financial security for performance guarantee, which must be stamped and signed by a person who is authorized for representation and registered in the Register of bills of exchange, in accordance with Article 47a of the Law on Payment Transactions ("Official Gazette of the FRY", No. 3/02 and 5/03 and "Official Gazette of the Republic of Serbia", No. 43/04, 62/06, 111/09 – other law, 31/11, 139/14 – other law) and the Decision on detailed terms, content and manner of maintaining the register of bills of exchange and mandates ("Official Gazette of the Republic of Serbia", No. 56/11, 80/15, 76/16, 82/17 and 14/20), prescribed by the National Bank of Serbia.

Bill of exchange authorization – letter must be filled in and certified in favor of the Ministry, for the total amount of funds referred to in paragraph 2 of Article 2 of this contract, noting that the bill of exchange is unconditional, payable on first demand and without additional conditions for payment.

The validity period of the bill of exchange authorization – letter is 30 days longer than the validity period of this contract. After the expiration of the bill of exchange and the bill of exchange authorization, the Ministry may, at the request of the Beneficiary, return them.

If the validity period of this contract is extended, the Beneficiary shall submit a new bill of exchange authorization with a validity period in line with paragraph 3 of this Article.

In addition to the bill of exchange referred to in paragraph 1 of this Article, the Beneficiary shall also submit:

- 1) a copy of the specimen signature card issued by a commercial bank, which the Beneficiary stated in the bill of exchange authorization – DEPO specimen signature card;
- 2) a copy of the form of certified signatures of the persons authorized for representation – OP form. The signature of the authorized person on the bill of exchange and the bill of exchange authorization must be identical to the signature in the specimen signature card;

- 3) confirmation of the bank on receipt of the request for registration of the bill of exchange – Request for registration / deletion of the bill of exchange, certified by the bank.

PROGRAM IMPLEMENTATION

Article 6

The Program implementation period is _____ years.

The Beneficiary shall implement the program in accordance with the implementation period referred to in paragraph 1 of this Article. The Ministry may, at the reasoned request of the Beneficiary, extend the deadline for implementation if the Program cannot be implemented within the agreed deadline for justified reasons.

The Beneficiary shall oblige the end users to use and maintain the installed equipment financed through the Program in accordance with the manufacturer's instruction and not to dispose of them within 12 months from the day of installation of equipment.

REPORTS

Article 7

Upon implementation of the Program, and no later than 30 days from the date of completion of its implementation, the Beneficiary shall submit a final report, which, *inter alia*, must contain data on energy savings and reduction of GHG emissions.

In addition to the final report referred to in paragraph 3 of this Article, the Beneficiary shall submit:

1) financial report on total costs, as well as specification of spent funds with documentation proving that the allocated funds were purposefully spent in accordance with the provisions of this contract and applicable regulations of the Republic of Serbia (copies of contracts, invoices, certified bank statements on payments transferred to suppliers, etc.);

2) a statement signed by the responsible person under full material and criminal responsibility, that the allocated funds referred to in Article 2 of this contract have been spent in accordance with the applicable regulations of the Republic of Serbia;

3) documentation proving that they controlled the approved investments, through the supervision of works performed at the locations of end user.

The Ministry may request additional reports during the Program implementation, and the Beneficiary shall submit these reports to the Ministry without delay.

If the Ministry submits objections to the reports referred to in paragraphs 1 and 3 of this Article, and the Beneficiary does not act upon them, the provisions of Article 11 of this contract shall apply. If the Ministry does not submit objections within 30 days from the day of receipt of the above-mentioned reports, it will be considered that there are not objections to the reports.

The reports referred to in paragraphs 1 – 3 of this Article shall be submitted on the forms determined by the Ministry and published on the Ministry's website (www.mre.gov.rs).

The Ministry shall without delay, via e-mail, notify the Beneficiary of any deficiencies in the reports referred to in paragraphs 1 – 3 of this Article, and the Beneficiary shall eliminate the deficiencies within 15 days from the date of receipt of objections from the Ministry.

SUPERVISION OF THE PROJECT IMPLEMENTATION AND THE INTENDED USE OF FUNDS

Article 8

The Beneficiary is obliged to submit to the Ministry an act on the appointment of the Program Manager.

The Program Manager shall sign the reports referred to in Article 7, paragraphs 1 and 3 of this contract, be responsible for the accuracy of the signed reports and contact the Ministry on all issues related to the Program.

By his/her decision, the Minister shall form a Commission with the task to monitor the implementation of the Program and control whether the allocated funds are used for the intended purpose and in accordance with the dynamics of the Program implementation specified in the Application, through control of intended use of funds and control of the reports referred to in Article 7, paragraphs 1 and 3 of this contract.

The Beneficiary shall provide the Commission referred to in paragraph 3 of this Article direct insight into the implementation of the Program and insight into the Program documentation.

The reports referred to in Article 7, paragraphs 1 and 3 of this contract, in addition to the Program Manager, shall be signed by the legal representative of the Beneficiary.

The Beneficiary shall form an expert commission, which, *inter alia*, shall have an insight into the manner and dynamics of using the total incentive funds, perform control of works performed at the locations of end users, in order to check the intended investment.

At the request of the Ministry, the Beneficiary shall include a person appointed by the Ministry as a member of the commission referred to in paragraph 6 of this Article.

OBLIGATION TO NOTIFY

Article 9

The Beneficiary is obliged to inform the Ministry without delay on the following:

- 1) replacement of the persons authorized for representation;
- 2) replacement of the Program Manager;
- 3) unforeseen circumstances that would lead to a change in the dynamics of the Program implementation;
- 4) circumstances that significantly affect the implementation of the Program, i.e., the execution of contractual obligations in accordance with the dynamics of the Program implementation from the Application.

CONTRACT TERMINATION

Article 10

The Ministry and the Beneficiary may terminate this contract by mutual consent.

Article 11

The Ministry reserved the right to unilaterally terminate this contract if the Beneficiary does not act in accordance with its obligations under this contract, and the Beneficiary loses all rights under this contract with the obligation to return the allocated funds to the budget of the Republic of Serbia, otherwise the collateral will be activated.

This contract shall be considered terminated when the Beneficiary receives a written notification from the Ministry of unilateral termination.

If the Ministry unilaterally terminates this contract, all costs of the Program implementation shall be borne by the budget of the Beneficiary.

If the contract is terminated in accordance with paragraph 2 of this Article, the Ministry may deny the Beneficiary the possibility to use the funds for a maximum period of three years from the date of receipt of the notice of termination.

Article 12

If this contract is terminated in accordance with Article 11, paragraph 2 of this contract, the Beneficiary shall return the received funds in accordance with the instructions of the Ministry, within eight days from the date when this contract is considered terminated.

Notwithstanding the above, in case of termination of the contract referred to in Article 11, paragraph 2 of this contract, the Ministry may, at the reasoned request of the Beneficiary, release the Beneficiary from the obligation to return part of the funds spent for the intended purpose, the amount which is determined by the Ministry.

The request referred to in paragraph 2 of this Article shall be submitted eight days from the day of receipt of the notice of termination of the contract.

The Beneficiary may request that the amount of earmarked spent funds be determined by authorized experts or organizations, bearing all incurred costs.

If the Beneficiary submits a request for release from the obligation to return the earmarked spent funds, the deadline referred to in paragraph 2 of this Article shall begin to run from the day of determining the amount of funds spent inappropriately.

If the Beneficiary does not return the received funds within the deadline referred to in paragraph 1 of this Article, the Ministry reserves the right to collect the bill of exchange referred to in Article 5, paragraph 1 of this contract.

Article 13

The contracting parties agree that the Ministry may inform the public on the implementation of the Program whose co-financing is the subject of this contract, as well as that it may record the situation at the location of end users in order to inform the professional and general public about the results of the Program implementation.

The Beneficiary shall state in all public publications and announcements about the activities in the implementation process that the Program implementation is financed from the budget of the Republic of Serbia – the Ministry of Mining and Energy.

FINAL PROVISIONS

Article 14

The provisions of the regulations stated in the preamble of this agreement and the law governing obligatory relations shall apply to all issues that are not regulated by this contract.

Article 15

All possible amendments to this agreement shall be made by agreement in an annex to this agreement, in the same manner and in the same form in which this agreement was concluded.

All written notices will be delivered by the contracting parties through registered mail, e-mail or fax, in accordance with the provisions of this contract.

Notices that affect the rights and obligations of the contracting parties shall be submitted by applying the provisions on service process from the law governing the general administrative procedure.

Article 16

The contracting parties agree that all disputes under this contract will be resolved amicably, and if that is not possible, the Commercial Court in Belgrade has jurisdiction over such dispute.

Article 17

This contract is made in four identical copies, of which each contracting party shall keep two copies.

Number:

Date: _____ 2022

FOR THE BENEFICIARY

FOR THE MINISTRY

Mayor/President of the Municipality

Minster

ANNEX 5: TRIPARTITE AGREEMENT TEMPLATE

Agreement Number:

Date:

Pursuant to the Rulebook on Co-financing of Energy Rehabilitation Measures for Residential Buildings, Family Houses and Apartments in the City/Municipality ("Official Gazette of the City/Municipality No.") (hereinafter: the Rulebook, Decision on selection of business entities in implementing energy rehabilitation measures in the city/municipality _____ number _____ dated _____ 2023 and the Decision on the selection of citizens in the implementation of energy rehabilitation measures in the City/Municipality _____ number _____ dated _____ 20213 concluded in _____ on _____ between:

1. _____ (name of the municipality), with its seat in _____ (address of the municipality), ID number: _____ TIN: _____ bank account number: _____ kept with the bank _____ represented by _____ (title and name and last name of the responsible person) (hereinafter: City/Municipality);
2. _____ (name of the business entity) with its seat in _____, _____ (address of the contractor), ID number: _____, TIN: _____, bank account number: _____, kept with the bank _____, represented by _____ (title and name and last name of the responsible person) (hereinafter: the Contractor) and
3. _____ from _____ street _____, ID card number _____ as the end user (hereinafter: the Citizen)

AGREEMENT ON CO-FINANCING OF ENERGY REHABILITATION MEASURES OF A FAMILY HOUSE / APARTMENT

SUBJECT OF THE AGREEMENT

Article 1

The subject of the agreement is the co-financing of measure _____ on the apartment/family house in the street _____ cadastral plot number _____ CM (cadastral municipality) _____, which is owned by the Citizen.

AMOUNT OF FUNDS

Article 2

The Citizen _____ (name and last name) was granted the maximum amount of non-refundable funds in the amount of _____ Serbian dinars (RSD) with VAT, i.e. _____% of the total amount of funds according to the pro forma invoice, of which _____ (amount in RSD) was provided by the Ministry of Mining and Energy, while _____ (amount in RSD) was provided by the City/municipality _____.

The total amount of funds according to the pro forma invoice of the Contractor No. _____ dated _____, which is an integral part of the application, is _____ RSD with VAT (LSGU to enter the amount from the application).

The Citizen shall provide the difference of funds, from the value of non-refundable funds to the total value of works through his/her own participation in the amount of _____ RSD with VAT, i.e. _____% of the total amount of fund according to the pro forma invoice.

The pro forma invoice referred to in paragraph 2 of this Article shall form an integral part of this Agreement.

If the total value of works performed on the basis of the final invoice is less than the total amount listed on the pro forma invoice, the municipality and the Citizen shall bear the costs based on their shares in the total amount of funds on the pro forma invoice.

OBLIGATIONS OF THE MUNICIPALITY / CITY

Article 3

The city/municipality _____ shall make sure that:

- the Commission will perform the mandatory field visit of the facility after the performed works, no later than 5 days from the day when the Contractor informs them that the works are completed, and prepare a report and issue a certificate that the works were performed in accordance with the pro forma invoice;
- fund are provided for co-financing and transfer the funds to the contractor after a duly submitted request for transfer of funds and documentation.

OBLIGATIONS OF THE CONTRACTOR

Article 4

The Contract shall:

- perform the type and scope of works on the residential building referred to in Article 1 of this Agreement in accordance with the specification of works specified in the pro forma invoice referred to in Article 2, paragraph 2;
- start works by _____ (date);
- deliver and install approved material / goods / and perform works by _____ (date);
- submit appropriate documentation to the Citizen (final invoice for performed works, certificates and warranty cards);
- within three days from the completion of works, inform the municipal Commission;
- submit to the municipality/city a request for transfer of approved co-financing funds.

OBLIGATIONS OF THE CITIZEN

Article 5

The Citizen shall:

- make the payment of funds 5 days before the start of works in the amount of _____, while the remaining amount of _____ will be paid no more than 5 days after the completion of works;
- sign the confirmation of payment of the entire amount borne by the citizen;
- cover possible additional costs of unforeseen works if he/she agrees with those works and if the total costs for the performed works exceed the total amount of funds according to the Contractor's pro forma invoice;
- use and maintained the installed equipment that is financed through the program, in accordance with the manufacturer's instructions and shall not dispose of the equipment within 12 months from the date of installation of the equipment.

TRANSFER OF FUNDS

Article 6

The City/Municipality _____ shall transfer the funds to the Contractor after the Contractor duly submits the request for transfer of funds, within a period that may not be longer than 14 days from the date of submission of the request.

The request for transfer of funds referred to in paragraph 1 of this Article must be accompanied by:

- final invoice for performed works;
- confirmation of payment of the entire amount borne by the citizen signed by the citizen and the contractor,
- confirmation from the Commission that the works were performed in accordance with the specification of works specified in the pro forma invoice;
- attestations, certificates and warranty card.

The contractor submits the request for transfer of funds with documentation to the address of the city/municipality, in street _____, or through the city/municipal registration office.

CONTRACT TERMINATION

Article 7

The City/Municipality _____ reserves the right to unilaterally terminate this agreement, if the contractor does not act in accordance with its obligations under this agreement.

The Contractor loses all rights under this agreement with the obligation to return the received funds to the Citizen.

The Citizen loses all rights under this agreement, if he/she does not act in accordance with his/her obligations regulated by this agreement.

This agreement shall be deemed terminated when all contracting parties receive a written notice on unilateral termination from the City/Municipality _____.

Article 8

If this agreement is terminated in accordance with Article 8 of this agreement, the contractor shall return the paid funds back to the citizen within eight days from the day when this agreement is considered terminated.

Exceptionally, in case of termination of the agreement referred to in Article 8 of this agreement, the city/municipality _____ may, at the reasoned request of the contractor, release the contractor from the obligation to return part of the funds spent for the intended purpose, the amount of which is determined by the Commission.

The request referred to in paragraph 2 of this Article shall be submitted eight days from the day of receipt of the contract termination notice.

FINAL PROVISIONS

Article 9

The provisions of the regulations stated in the preamble of this agreement and the law governing the obligatory relations shall apply to all issues that are not regulated by this agreement.

Article 10

All possible amendments to this agreement shall be made by agreement in an annex to this agreement, in the same manner and in the same form in which this agreement was concluded.

All written notices will be delivered by the contracting parties through the city/municipality registration office, by registered mail, e-mail, in accordance with the provisions of this agreement.

Notices that affect the rights and obligations of the contracting parties shall be submitted by applying the provisions on service from the law governing the general administrative procedure.

Article 11

The contracting parties agree that all disputes under this agreement will be resolved amicably, and if that is not possible, the Basic Court in _____ has jurisdiction.

Article 12

This Agreement is made in four identical copies, of which the city/municipality shall keep two copies, while the other contracting parties shall keep one copy each.

Annex: Contractor's pro forma invoice No. ____ dated _____.

FOR THE CONTRACTOR

FOR THE CITY/MUNICIPALITY

NAME AND LAST NAME OF LEGAL
REPRESENTATIVE

NAME AND LAST NAME OF LEGAL
REPRESENTATIVE

FOR THE CITIZEN

NAME AND LAST NAME OF THE CITIZEN
PERSONAL ID CARD NUMBER

ANNEX 6: ACTIVITIES THAT ARE NOT SUPPORTED BY WORLD BANK GROUP PROJECTS AS DEFINED IN THE IFC EXCLUSION LIST

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions.
- Production or trade in alcoholic beverages (excluding beer and wine).
- Production or trade in tobacco.
- Gambling, casinos and equivalent enterprises.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbounded asbestos fibres. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- A reasonableness test will be applied when the activities of the project company would have a significant development impact, but circumstances of the country require adjustment to the Exclusion List.
- All financial intermediaries (FIs), except those engaged in activities specified below*, must apply the following exclusions, in addition to IFC's Exclusion List:
- Production or activities involving harmful or exploitative forms of forced labour/harmful child labour.
- Production or trade in wood or other forestry products other than from sustainably managed forests.
- *When investing in microfinance activities, FIs will apply the following items in addition to the IFC Exclusion List:
- Production or activities involving harmful or exploitative forms of forced labour/harmful child labour.
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.
- Trade finance projects, given the nature of the transactions, FIs will apply the following items in addition to the IFC Exclusion List:
- Production or activities involving harmful or exploitative forms of forced labour/harmful child labour.

ANNEX 7: AUDIT FIRM TOR TEMPLATE

TERMS OF REFERENCE (TOR) FOR THE AUDIT OF THEProject

Background [OPTIONAL]

The TOR should provide appropriate background information of the project, including:

- (a) a brief description of the project including information on project sources of funding;*
- (b) a general description of implementation arrangements, including the organizational structure of all implementing entities (if more than one);*
- (c) list the source and total amount of funds for the period subject to audit under this TOR (Bank's loan/credit, trust funds, counterpart funds, etc).*

Objective

The objective of the audit of the project financial statements (PFS) is to enable the auditor to express a professional opinion on the project's financial position as at the end of [AUDIT REFERENCE DATE] and of the income and expenditure for the accounting period ending on that date. The project's books of account provide the basis for preparation of the financial statements and are established to reflect the financial transactions in respect of the project.

Responsibility for preparation of financial statements

The responsibility for the preparation of financial statements including adequate disclosure is that of the project's management. This includes the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, and the safeguarding of the assets of the project. As part of the audit process, the auditor will request from management written confirmation concerning representations made to us in connection with the audit.

Scope

The audit will be conducted in accordance with International Standards on Auditing (ISA) published by the International Auditing and Assurance Standards Board of the International Federation of Accountants (IFAC) [OR REFER TO RELEVANT NATIONAL STANDARDS OR PRACTICES]. Those Standards require that the auditor plans and performs the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In complying with ISA, the auditor is expected to pay particular attention to the following matters, including special considerations for public sector entities:

- a) In planning and performing the audit to reduce audit risk to an acceptably low level, the auditor should consider the risks of material misstatements in the financial statements due to fraud as required by International Standard on Auditing 240: The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements.
- b) When designing and performing audit procedures and in evaluating and reporting the results thereof, the auditor should recognize that noncompliance by the entity with laws

and regulations may materially affect the financial statements as required by International Standard on Auditing 250: Consideration of Laws and Regulations in an Audit of Financial Statements.

- c) The auditor should communicate audit matters of governance interest arising from the audit of financial statements to those charged with governance of an entity as required by International Standard on Auditing 260: Communication of Audit Matters with those Charged with Governance.
- d) The auditor should communicate appropriately to those charged with governance and management deficiencies in internal control that the auditor has identified in an audit of financial statements as required by International Standard on Auditing 265: Communicating Deficiencies in Internal Control to Those Charged with Governance and Management.
- e) In order to reduce audit risk to an acceptably low level, the auditor should determine overall responses to assessed risks at the financial statement level, and should design and perform further audit procedures to respond to assessed risks at the assertion level as required by International Standard on Auditing 330: The Auditor's Procedures in Response to Assessed Risks.
- f) In instances where certain aspects of an entity's operations are performed by a third party service provider, the auditor is expected to include an understanding and assessment of the internal control environment of the service provider during the audit process as required by International Standard on Auditing 402: Audit Considerations Relating to an Entity Using a Service Organization.
- g) As part of the audit process, the auditor is expected to obtain written representations from management and, where appropriate, those charged with governance as required by International Standard on Auditing 580: Written Representations.
- h) The audit will SURCE project and compliance with the POGM and/if other documents relevant to grants. It will include the audit and expressing opinion on financial statements presenting use of grant funds for randomly selected beneficiaries. The number of grants audited will not be less than 10% of total number of grants disbursed (or started disbursing) by the date of the audit.
- i) The selected auditor may be engaged to conduct audit of any other upcoming projects under CFU portfolio, which will be subject to contract amendment.

In evidencing compliance with agreed project financing arrangements the auditor is expected to carry out tests to confirm that:

- a) External funds have been used in accordance with the conditions of the relevant general conditions, relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which the financing was provided. Relevant general conditions and financing agreements are **[CITE RELEVANT GENERAL CONDITIONS AND FINANCING AGREEMENTS]**;
- b) Counterpart funds have been provided and used in accordance with the relevant general conditions, relevant financing agreements, and only for the purposes for which they were provided;

- c) Goods and services financed have been procured in accordance with the relevant general conditions and relevant financing agreements¹⁴, including specific provisions of the World Bank Procurement Guidelines¹⁵;
- d) Necessary supporting documents, records, and accounts have been kept in respect of all Project ventures including expenditures reported via Summary Report or Statements of Expenditures (SOEs) (or [Interim Un-audited Financial Reports \(IFRs\)](#)) if used as the basis of disbursement), or Designated Accounts (DAs). The auditor is expected to verify that respective reports issued during the period were in agreement with the underlying books of account;
- e) Where Designated Accounts have been used, they have been maintained in accordance with the provisions of the relevant general conditions and relevant financing agreements;
- f) Review the compliance on each of the financial covenants in the **[STATE SPECIFIC SECTION OF LOAN/FINANCING AGREEMENT and list, as necessary]**.
- g) Applied procedures with regard to grants are aligned with the GOM including procedures of verification by the implementing entity of the adequacy of financial reports and accompanying documentation delivered by the grant beneficiaries.

Project Financial Statements prepared under the Cash-basis

The Project Financial Statements should include as a minimum the information required by the IPSAS “Financial Reporting Under The Cash Basis of Accounting”. These would include

- a) A Summary of Funds received, showing the World Bank, Project funds from other donors, and counterpart funds separately.
- b) A Summary of Expenditures paid in cash, shown under the main project headings and by main categories of expenditures, both for the current fiscal year and accumulated to-date;
- e) Accounting policies and explanatory notes (including additional accounting policies and disclosures), covering
 - a Summary of Summary Reports or SOEs used as the basis for the submission of withdrawal applications in the notes, as appropriate;
 - a Statement of Designated Account in the notes, as appropriate;
 - a Statement of Financial Position showing Accumulated Funds of the Project, bank balances, other assets of the Project, and liabilities, if any; and
- b) When the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the statement of cash receipts and payments.

[The explanatory notes should include reconciliation between the amounts shown as "received by the project from the World Bank" and that disbursed by the Bank and a summary of movements on the project's Designated Account.]

Summary Reports or Statement of Expenditures

¹⁴ Depending on the complexity of procurement activities, the auditor may consider involving technical experts during the audit engagement. In cases where such experts are involved, the auditor is expected to comply with provisions of International Standard on Auditing 620: Using the Work of an Expert. Consideration to use of the work of experts should be brought to the early attention of the borrower and the World Bank for mutual agreement and appropriate guidance.

¹⁵ See [Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants - January 2011](#) and [Guidelines: Selection and Employment of Consultants under IBRD Loans & IDA Credits & Grants by World Bank Borrowers - January 2011](#).

(or IFRs if used as the basis of disbursement)

The auditor is required to audit all Summary Reports or SOEs and IFRs submitted to the World Bank in support of requests for periodic replenishment of the project designated account(s).

Expenditures should be examined for eligibility based on criteria defined in the terms of the financing agreement and detailed in the Project Appraisal Document. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed, they should be separately reported.

The Project Financial Statements should include a schedule listing of individual Summary Reports or SOEs (or IFRs used as the basis of disbursement) withdrawal applications by specific reference number and amount.

The auditor should pay particular attention as to whether:

- a) the Summary Reports or SOEs (or IFRs) have been prepared in accordance with the provisions of the relevant financing agreement.
- b) expenditures have been made wholly and necessarily for the realization of project objectives.
- c) information and explanation necessary for the purpose of the audit have been obtained;
- d) supporting records and documents necessary for the purpose of the audit have been retained, and
- e) the Summary Reports or SOEs (or IFRS) can be relied upon to support the related withdrawal applications.
- f) and accompanying documentation

Designated Accounts

During the audit of the project financial statements, the auditor is required to review the activities of the project's designated account(s). Activities to be examined will include deposits received, payments made, interest earned and reconciliation of period-end balances.

The auditor should pay particular attention as to the compliance with the Bank's procedures and the balances of the Designated Accounts at the end of the fiscal year and the adequacy of internal controls for this type of disbursement mechanism.

Audit Reports

The auditors will issue an audit opinion on the Project Financial Statements. The audit ToR will extend the scope in order to review and provide opinion on the applied procedures with regard to grants are aligned with the GOM including procedures of verification by the implementing entity of the adequacy of financial reports and accompanying documentation delivered by the grant beneficiaries.

In addition to the audit opinion, the auditor will prepare a "management letter," in which the auditor will:

- a) provide comments and observations on the accounting records, systems, and controls that were examined during the course of the audit;
- b) identify specific deficiencies and areas of weakness in systems and controls and make recommendation for their improvement;
- c) report on instances of non-compliance with the terms of the financial agreement(s);
- d) quantify and report expenditures that are considered to be ineligible and either paid out of the designated account(s) or which have been claimed from the World Bank;
- e) communicate matters that have come to their attention during the audit which might have a significant impact on the implementation of the project;

- f) bring to the borrower's attention any other matters that the auditor considers pertinent; and
- g) include management's comments in the final management letter.

If none of the above applies, and a management letter is therefore not prepared, the auditor will issue a letter stating that during the audit nothing has come to their attention that the auditor considers pertinent to be brought to the attention of the borrower. The financial statements, including the audit opinion, and management letter should be received by the Project implementing agency, no later than six months after the end of the audited fiscal year. The Project's implementing agency should then promptly forward two copies of these to the World Bank.

Public Disclosure

In accordance with "The World Bank (the Bank) Policy on Access to Information" dated July 1, 2010 for Bank-financed operations for which the invitation to negotiate is issued on or after July 1, 2010, the Bank requires that the borrower makes the audited financial statements publically available in a timely fashion and manner acceptable to the Bank. **In addition**, following the Bank's formal receipt of these financial statements from the borrower, the Bank makes them available to the public in accordance with this policy.

Management Letters, special audits (i.e. whose nature is not financial), and unaudited financial statements (e.g. Interim Financial Reports) are not considered to be the part of the definition of the audited financial statements for the purposes of disclosure.

Only in exceptional cases the Bank may agree—i.e., when the audited financial statements contain proprietary or commercially sensitive information—that the borrower or designated project entity may be exempted from disclosing the full set of audited financial statements, but is still required to disclose an abridged version of them in a form acceptable to the Bank. Exceptions are approved by World Bank management.

General

The responsibility for the preparation of financial statements including adequate disclosure is that of the management of the Project. As part of the audit process, the auditor will request from management written confirmation concerning representations made to the auditor in connection with the audit.

The auditor is entitled to unlimited access to all information and explanations considered necessary to facilitate the audit including legal documents, project preparation and supervision reports, reports of reviews and investigations, correspondences, and credit account information. The auditor may also seek written confirmation of amounts disbursed and outstanding in the Bank records.

The auditor is encouraged to meet and discuss audit related matters including input to the audit plan with the World Bank project task team.

It is highly desirable that the auditor become familiar with the relevant World Bank guidelines, which explain the Bank's financial reporting and auditing requirements. These guidelines include:

- Reference Material to the Financial Management Manual for World Bank-Financed Investment Operations (March 2010): *RM 3 - Financial Reporting and Auditing*;
- [Disbursement Handbook for World Bank Clients](#), dated May 2006 (available on Client Connection web site);
- [Disbursement Guidelines for Projects](#), dated May 2006 (available on Client Connection web site).

- World Bank's Procurement Regulations for IPF Borrowers: Procurement in Investment Project Financing – Goods, Works, Non-Consulting and Consulting Services July 2016 (revised November 2017 and August 2018).

This term of engagement will remain effective for future fiscal years unless it is terminated, amended or superseded.

The auditor should understand that working papers under World Bank project can be subject to the review by Client's and/or World Bank designated staff.