

The Government of Montenegro reviewed at its session the Report on the Implementation of the Direct contracts under the lease of land and construction of wind power plants (WPP) on Krnovo and accepted the proposal that French development bank Proparco joins the lenders group.

The contract on the lease of land and construction of the wind farm on the site Krnovo which was concluded on 5 August 2010 with a consortium whose members Akuo Energy from French and Ivica Consulting from Austria, Montenegro has leased state-owned land for the construction of wind farms. The contract provides for the right of lease for a period of 20 years , with the possibility of extension up to maximum of 5 years, with the purpose of building wind power installed capacity to 72 MW.

For this project was issued the construction permit on May 7 last year after which the investor in accordance with the terms of the agreement began to build.

The investor conducted implementation of the project so far ,invest own funds, but in order to continue further activities necessary to provide significant additional funding. Bearing in mind that it is a project whose implementation is necessary around 100 to 120 million euros, as well as the inability to finance from commercial banks investor started negotiations with representatives of the European Bank for Reconstruction and Development (EBRD) and the German Development Bank (KfW) - stated in information.

These financial institutions as a precondition for signing the financing sought additional guarantees of Montenegro in the sense that during the term of the loan to be respected legal regulations in the field of renewable energy, as well as enabling a continuous implementation of the activities on the project.

Signing a direct contract, as explained, involves a trilateral agreement between the security agent as a representative of the bank, investors and the state of Montenegro which defines the obligations of each party individually.

Contracting parties agree and confirm that the conclusion of a direct contract its provisions shall be interpreted as that the state acquired any rights and obligations under the loan or Financing Agreement, including in particular that the said agreement may not be in any part caused the state's obligation on restitution loans, interest payment or any other obligation arising from the loan - is added to the information.

In international practice direct contract represents an agreement between the public partner and the private partner and party which financing the project. Relying invalid legislation, as well as the already signed contract, the state through negotiations, as explained, not go beyond the scope of their duties and powers, nor is it in any part of the assumed obligations of a financial nature.

Through negotiations to reach a final draft of a direct contract which would define mutual rights and obligations of the parties, representatives of the EBRD and KfW informed the Ministry of Economy that KfW will be authorized party to sign the Direct contract on behalf

of two institutions, as an agent of security in terms of how it is defined in direct contract. The main reason for the signing of this agreement is to enable the creditor to secure the project sustainability during the period necessary for the repayment of loans. The aforementioned legal way is a common international practice in this type of lending.