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**LOAN NUMBER 7746-YF**

# **Loan Agreement**

**(Corridor X Highway Project)**

**between**

**REPUBLIC OF SERBIA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated July 13, 2009**

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**LOAN NUMBER 7746-YF**

**LOAN AGREEMENT**

Agreement dated July 13, 2009, between REPUBLIC OF SERBIA (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

**ARTICLE I - GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II - LOAN**

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of two hundred seventy five million two hundred thousand Euros (EUR 275,200,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.



- 2.05. The Payment Dates are April 15 and October 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

### **ARTICLE III - PROJECT**

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall cause the Project to be carried out by the Project Implementing Entity, in accordance with the provisions of Article V of the General Conditions and the Project Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**ARTICLE IV - REMEDIES OF THE BANK**

- 4.01. The Additional Event of Suspension consists of the following, namely that the Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs.

**ARTICLE V - EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following:
  - (a) The Borrower, through PEPS, has provided evidence, satisfactory to the Bank, confirming, for all road sections for which works are planned for calendar year 2009 under the Project, the availability of adequate compensation amounts for purposes of expropriation; and
  - (b) The Project Implementing Entity has procured and established accounting software, satisfactory to the Bank, for purposes of Project accounting and reporting.
- 5.02. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

**ARTICLE VI - REPRESENTATIVE; ADDRESSES**

- 6.01. The Borrower's Representative is its Minister of Finance.
- 6.02. The Borrower's Address is:

Ministry of Finance  
20 Kneza Milosa St.  
11000 Belgrade  
Republic of Serbia

Facsimile:

(38-11) 3618-914

6.03. The Bank's Address is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED at Belgrade, Republic of Serbia, as of the day and year first above written.

**REPUBLIC OF SERBIA**

By /s/ Diana Dragutinovic

Authorized Representative

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

By /s/ Neil Simon M. Gray

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to increase transport efficiency and improve traffic safety on three sections of Corridor X, between Niš and Dimitrovgrad and Leskovac (Grabovnica) and Donji Neradovac respectively, and to improve road management and road safety in the Borrower's territory.

The Project consists of the following parts:

#### Part A. M-1 Road (E75) Corridor Xd

Carrying out a program of works and equipment for the construction of two sections of motorway totaling about 32 kilometers between Leskovac (Grabovnica) and Grdelica, and between Vladicin Han and Donji Neradovac (Corridor Xd), half on new alignment and half involving an upgrading of the existing road, including:

1. the relevant electrical and mechanical facilities, annex areas, toll plazas and buildings, interchanges and some interconnecting roads to improve integration with the local road network;
2. a full profile motorway with four 3.75 meters traffic lanes and design speed of 120km/h for both sections; and
3. the procurement of a consulting firm to provide engineering services for said program and additional sections of Corridor X as agreed with the Bank.

#### Part B. M 1-12 Road (E80) Niš – Dimitrovgrad Corridor Xc

Carrying out a program of works and equipment for the construction of about 9 kilometers of motorway on a section of the corridor to the north of Dimitrovgrad, on a new alignment, four lanes and 120km/h design speed (100km/h design speed in tunnels on said section), including:

1. the relevant electrical and mechanical facilities, annex areas, toll plazas and buildings, interchanges and some interconnecting roads to improve integration with the local road network; and
2. the procurement of a consulting firm to provide engineering services for said program and additional sections of Corridor X as agreed with the Bank.

### Part C. Road Safety

Provision of goods, equipment, technical assistance and training for:

1. road safety capacity building, including support for the establishment of a national road safety council;
2. the creation of a road safety performance framework;
3. the development and launching of a national road safety strategy;
4. the preparation and piloting of two multi-sector road safety pilots; and
5. the procurement and establishment of a road safety database and other road safety equipment.

### Part D: Implementation Assistance and Institutional Support

Support to the Project Implementing Entity through the provision of goods, equipment (including vehicles), technical assistance and training and the financing of Incremental Operating Costs for:

1. the carrying out of separate, independent supervision of environmental and social aspects of activities under Parts A and B of the Project and additional sections of Corridor X as agreed with the Bank;
2. Project management and implementation, including procurement and other experts;
3. the carrying out of an independent technical audit, including engineering aspects, design, quality review and supervision of works to be carried under, respectively, Parts A and B of the Project and additional sections of Corridor X as agreed with the Bank; and
4. the development and implementation of a reform action plan for the institutional strengthening of PEPS.



**SCHEDULE 2****Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**

1. The Project Implementing Entity shall be responsible for the overall implementation of the Project, under the guidance and supervision of the Steering Committee. The Project Implementing Entity shall be responsible for handling the day-to-day management of the Project including procurement, financial management, Project monitoring and evaluation, and reporting arrangements, as well as management of environmental and social issues under the Project.

2. The Borrower shall, at all times throughout the duration of the Project, maintain, adequately fund and cause the Project Implementing Entity to comprise qualified staff, including procurement and financial management specialists and an environmental safeguards expert, in adequate number and with terms of reference satisfactory to the Bank.

3. To facilitate the carrying out of the Project and to accomplish the purposes of the Loan, the Borrower shall make the appropriate arrangements to make the proceeds of the Loan available to the Project Implementing Entity.

4. The Borrower shall, and shall cause the Project Implementing Entity to, ensure that the Project is carried out in accordance with the Financial Manual.

**B. Anti-Corruption**

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

**C. Safeguards.**

1. The Borrower shall, and shall cause PEPS and the Project Implementing Entity to ensure that:

(a) the Project is carried out in accordance with the respective terms of the Environmental Impact Assessments and the Resettlement Policy Framework, and the policies, procedures and arrangements therein set forth are applied and implemented; and

(b) the Environmental Impact Assessments and the Resettlement Policy Framework, or any provision thereof, shall not be amended, suspended, abrogated,

terminated or waived or permitted to be amended, suspended, abrogated, terminated or waived, except with the prior written approval of the Bank.

2. For purposes of Parts A and B of the Project and prior to the commencement of works for each proposed road section, the Borrower shall cause PEPS and the Project Implementing Entity to: (a) submit to the Bank for its approval: (i) the related section specific Resettlement Action Plan, including the relevant social assessment, in form and substance satisfactory to the Bank; and (ii) the related section specific Environmental Management Plan and Checklist, in form and substance satisfactory to the Bank; (b) ensure that the provisions of said Resettlement Action Plan and Environmental Management Plan and Checklist are adequately included in the proposed contract(s) for said works; and (c) ensure that said Resettlement Action Plan is disclosed and, unless the Bank shall otherwise agree, all related, adequate compensation amounts are paid in full, all in accordance with the related section specific Resettlement Action Plan and Environmental Management Plan and Checklist, the Resettlement Policy Framework and the Environmental Impact Assessments.

#### **D. Other Covenants**

1. The Borrower shall, not later than June 30, 2010, adopt and submit to the Bank an action plan, in form and substance satisfactory to the Bank, for the reform of PEPS.

2. Prior to the signing of each contract for works under the Project, the Borrower shall take the necessary measures to submit to the Bank evidence, satisfactory to the Bank, confirming the availability of appropriate compensation amounts for purposes of expropriation.

3. The Borrower shall cause PEPS to submit to the Bank, by March 1 of each calendar year, throughout the duration of the Project, for its prior review, the proposed road sections for which works are planned to be undertaken by PEPS under its annual business plan in the course of the same calendar year.

### **Section II. Project Monitoring Reporting and Evaluation**

#### **A. Project Reports**

1. The Borrower, through the Project Implementing Entity, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of monitoring and evaluation indicators agreed with the Bank. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Bank not later than one (1) month after the end of the period covered by such report. In addition, semi-annual reviews shall be conducted jointly by the Borrower, the Project Implementing Entity and the Bank to review progress in Project implementation.

2. The Borrower, through the Project Implementing Entity, shall ensure that the Project Reports referred to in the preceding paragraph 1 report on the monitoring and implementation of the requirements set forth in the Environmental Impact Assessments and the Resettlement Policy Framework.

3. The Borrower, through the Project Implementing Entity, shall: (a) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank on or about September 30, 2012, a report integrating the results of the monitoring and evaluation activities and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and (b) review with the Bank, on or about December 31, 2012, the report referred to in the preceding sub-paragraph (a), and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on said report and the Bank's view on the matter.

4. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished by the Borrower, through the Project Implementing Entity, to the Bank not later than six (6) months after the Closing Date.

#### **B. Financial Management, Financial Reports and Audits**

1. The Borrower shall cause the Project Implementing Entity to maintain a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower, through the Project Implementing Entity, shall prepare and furnish to the Bank, not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.

3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) Fiscal Year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

### **Section III. Procurement**

#### **A. General**

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the

requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants’ Services.** All consultants’ services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>
National Competitive Bidding, subject to the requirements set forth in the Annex to this Schedule 2
Direct Contracting
Shopping

**C. Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b><u>Procurement Method</u></b>
(a) Individual Consultants
(b) Least-Cost Selection
(c) Selection Based on Consultants' Qualifications
(d) Selection under a Fixed-Budget
(e) Quality-Based Selection
(f) Single Source Selection

**D. Review by the Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in Euros)</b>	<b>Percentage of Expenditures to be financed (exclusive of taxes)</b>
(1) Works, goods, consultants' services and Incremental Operating Costs	274,512,000	100%
(2) Front-end Fee	688,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(3) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount payable pursuant to Section 2.07(c) of this Agreement in accordance with Section 4.04(c) of the General Conditions
<b>TOTAL AMOUNT</b>	<u>275,200,000</u>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
  
3. The Closing Date is December 31, 2015.

## ANNEX

### **National Competitive Bidding: Additional Provisions**

For the purposes of using National Competitive Bidding Procedures, the following shall apply:

#### **1. Registration**

- (a) Bidding shall not be restricted to pre-registered firms.
- (b) Where registration is required, bidders: (i) shall be allowed a reasonable time to complete the registration process; and (ii) shall not be denied registration for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.
- (c) Foreign bidders not from the territory of the Borrower shall not be precluded from bidding. If a registration process is required, a foreign bidder declared the lowest evaluated bidder shall be given a reasonable opportunity to register.

#### **2. Advertising**

Invitations to bid in Serbian shall be advertised in at least one widely circulated local daily newspaper available over the territory of the Borrower allowing a minimum of thirty (30) days for the preparation and submission of bids.

#### **3. Participation by Publicly-owned enterprises**

Publicly-owned enterprises shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the contracting authority. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

#### **4. Bidding Documents**

Procuring entities shall use the appropriate standard bidding documents for the procurement of works or services, acceptable to the Bank.

#### **5. Bid Opening and Bid Evaluation**

- (a) Bids shall be submitted in a single envelope containing the bidder's qualification information, technical and price bids, which shall be opened simultaneously at the public bid opening.



- (b) Bids shall be opened in public, immediately after the deadline for submission of bids. The name of the bidder, the total amount of each bid and any discounts offered shall be read aloud and recorded in the minutes of the public bid opening.
- (c) Evaluation of bids shall be made in strict adherence to the monetarily quantifiable criteria declared in the bidding documents. No merit point system will be used.
- (d) Extensions of bid validity will be allowed once only for not more than thirty (30) days. No further extensions shall be requested without the prior approval of the Bank.
- (e) Contracts shall be awarded to the qualified bidder having submitted the lowest-evaluated, substantially responsive bid and no negotiation shall take place.

#### **6. Price Adjustment**

Civil works contracts of long duration (more than 18 months) shall contain an appropriate price adjustment clause.

#### **7. Rejection of Bids**

- (a) All bids shall not be rejected and new bids solicited without the Bank's prior concurrence.
- (b) When the number of bids received is less than three, re-bidding shall not be carried out without the Bank's prior concurrence.

#### **8. Securities**

Bid security shall not exceed three percent (3%) of the estimated cost of the contract and performance security not more than ten percent (10%) of this cost. No advance payment at the amount of more than ten percent (10%) of the contract price shall be made to contractors without a suitable advance payment security. These securities shall be included in the bidding documents in a text and format acceptable to the Bank.

- (a) Bid security and performance security should follow the generally accepted practice used in the local market.
- (b) Alternative methods such as bid securing declaration may be acceptable, in which case the Borrower may require bidders to sign a declaration accepting that if they withdraw or modify their bids during the period of validity or they are awarded the contract and they fail to sign the contract

or to submit a performance security before the deadline defined in the bidding documents, the bidder will be suspended for bidding in any contract with the implementing unit.

**9. Right to inspect and audit**

Each contract financed from the proceeds of the Loan shall provide that the suppliers, contractors and subcontractors shall permit the Bank, at its request, to inspect their accounts and records relating to the procurement and performance of the contract and to have said accounts and records audited by auditors appointed by the Bank. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.

**10. Fraud & Corruption**

The Bank shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Bank, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, a contract financed by the World Bank Group.

### SCHEDULE 3

#### Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<b>Principal Payment Date</b>	<b>Installment Share (Expressed as a Percentage)</b>
On each April 15 and October 15 Beginning October 15, 2017 through October 15, 2028	4.17%
On April 15, 2029	4.09%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts

payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

**APPENDIX****Section I. Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
4. “Environmental Impact Assessments” means, collectively, the Corridor Level Environmental Impact Assessments dated May 28, 2009, prepared for, respectively, Parts A and B of the Project, adopted by the Borrower and satisfactory to the Bank, including the associated environmental management plans, consisting of the set of mitigation, monitoring and institutional measures required for the Project and to be taken to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, as well as actions needed to implement said measures, including measures and information required for the preparation of road section specific Environmental Management Plans and Checklists.
5. “Environmental Management Plan and Checklist” means a road section specific environmental management plan and checklist, referred to in part C.2, Section I of Schedule 2 to this Agreement, and to be prepared and implemented in a manner fully consistent with the Environmental Impact Assessments.
6. “Financial Manual” means the financial manual dated April 9, 2009, prepared by the Project Implementing Entity and describing all procedures and controls for the implementation of the Project, as the same may be amended from time to time with the Bank’s prior written agreement.
7. “Fiscal Year” means the twelve (12) month period corresponding to any of the Borrower’s or the Project Implementing Entity’s fiscal years, which period commences on January 1 and ends on December 31 in each calendar year.
8. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.

9. “Incremental Operating Costs” means expenditures incurred by the Project Implementing Entity in relation to the management and implementation of the Project as per the annual budget, including the preparation of the annual financial audits required under the Project, cost of communications, translations, meetings, local travel, consumables and day-to-day office maintenance and administration, including office rental, operation and maintenance of equipment provided to the Project Implementing Entity under the Project, and excluding salaries of government officials and civil servants.
10. “PEPS” means the Public Enterprise Putevi Srbije, the Borrower’s public roads company established and operating pursuant to the Borrower’s Decision No. 115/05, or any successor thereto.
11. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
12. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated June 9, 2009, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
13. “Project Agreement” means the Project agreement of even date herewith, entered into between the Bank and the Project Implementing Entity.
14. “Project Implementing Entity” means the Koridor 10 D.O.O. (Koridor 10 Društvo sa Ograničenom Odgovornošću), the Koridor 10 Limited Liability Company which is a daughter company of PEPS, established by a decision of No. 953-67/09-48 of the Management Board of PEPS dated January 22, 2009, based on the Borrower’s Decision 05 No. 340-5820/2008 of December 19, 2008, and registered as a limited liability company on February 4, 2009, or any successor thereto.
15. “Project Implementing Entity’s Legislation” means the decision of the Management Board of PEPS of January 22, 2009, establishing and governing the Project Implementing Entity.
16. “Resettlement Action Plan” means a resettlement action plan for a road section specific resettlement, referred to in part C.2, Section I of Schedule 2 to this Agreement, and to be prepared and implemented in a manner fully consistent with the Resettlement Policy Framework.
17. “Resettlement Policy Framework” means the resettlement policy framework, satisfactory to the Bank, dated May 18, 2009, setting forth, *inter alia*: (i) the description of areas covered by the Project; (ii) the legal basis and screening

process for land acquisition, resettlement and land use in connection with works and construction activities to be carried out under the Project; (iii) the resettlement principles and entitlements of Project affected people based on different categories of impact; (iv) the procedures for valuation, compensation and other assistance provided to the affected people, including the grievance process; (v) the responsibilities, procedures and requirements for the development and implementation of road section specific Resettlement Action Plans; and (vi) an estimate of scale of land acquisition and cost of compensation.

18. “Steering Committee” means the Steering Committee established by a decision of the Borrower dated October 30, 2008 (31<sup>st</sup> session of the Government), and comprising representatives of the Borrower’s Prime Minister’s Office, Deputy Prime Minister’s Office, Ministries of, respectively, Finance, National Investment Plan, Ecology and Spatial Planning and Infrastructure, PEPS and the Project Implementing Entity.

## **Section II. Modifications to the General Conditions**

The modifications to the General Conditions are as follows:

1. Paragraph (a) of Section 2.07 is modified to read as follows:

“Section 2.07. *Refinancing Preparation Advance; Capitalizing Front-end Fee and Interest*

(a) If the Loan Agreement provides for the repayment out of the proceeds of the Loan of an advance made by the Bank or the Association (“Preparation Advance”), the Bank shall, on behalf of such Loan Party, withdraw from the Loan Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Loan Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Bank shall pay the amount so withdrawn to itself or the Association, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (1) of Section 7.02 is modified to read as follows:

“Section 7.02. *Suspension by the Bank*

... (1) *Ineligibility*. The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or the Project

Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”

- (b) The definition of the term “Conversion Date” is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”