

OFFICIAL
DOCUMENTS

LOAN NUMBER 9235-YF

Loan Agreement

(Public Sector Efficiency and Green Recovery Development Policy Loan)

between

REPUBLIC OF SERBIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF SERBIA (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, *inter alia*, of: (i) the actions which the Borrower has already taken under the Program and which are described in Section I.A of Schedule 1 to this Agreement; and (ii) the Borrower’s maintenance of an adequate macroeconomic policy framework. The Borrower and the Bank therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form 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 the amount of eighty-two million six hundred thousand Euros (€82,600,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”).
- 2.02. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.03. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.04. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion.
- 2.05. The Payment Dates are June 15 and December 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with Schedule 2 to this Agreement.
- 2.07. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
- (a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower's macroeconomic policy framework and the progress achieved in carrying out the Program;
 - (b) prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and
 - (c) without limitation upon paragraph (a) and (b) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of the following, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Borrower's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date one hundred and eighty days (180) days after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative, who, *inter alia*, may agree to a modification of the provisions of this Agreement on behalf of the Borrower through an exchange of letters (unless otherwise determined by the Borrower and the Bank), is its Minister of Finance.

6.02. For purposes of Section 10.01 of the General Conditions: (a) the Borrower's address is:

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

(b) the Borrower's Electronic Address is:

Facsimile:	E-mail:
(381-11) 3618-961	kabinet@mfin.gov.rs

6.03. For purposes of Section 10.01 of the General Conditions: (a) the Bank's address is:

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

(b) the Bank's Electronic Address is:

Telex:	Facsimile:	E-mail:
248423(MCI) or 64145(MCI)	1-202-477-6391	sndegwa@worldbank.org

AGREED and signed in English as of the Signature Date.

REPUBLIC OF SERBIA

DD
SMPA

By



Authorized Representative

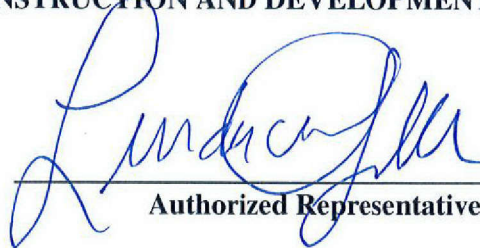
Name: SINIŠA MALI

Title: MINISTER OF FINANCE

Date: MAY 10, 2021

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

Name: LINDA VAN GELDER

Title: REGIONAL DIRECTOR

Date: MAY 10, 2021

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

- A. Actions Taken Under the Program. The actions taken by the Borrower under the Program include the following:
1. The Borrower has established the Public Procurement Portal to promote transparency and efficiency in public procurement, as evidenced by the issuance of Rulebooks and Guidelines to regulate the implementation of the Public Procurement Portal, pursuant to the provisions of the Law on Public Procurement.
 2. The Borrower has introduced a new procedure for prioritizing and controlling recruitment in the public sector, as evidenced by the issuance of the Decree on the Procedure for Obtaining Approval for New Recruitment or Additional Temporary Employment with Budget Beneficiaries (Decree 05 No. 110-11166/2020-2), duly published in the Borrower's Official Gazette No. 159 on December 30, 2020.
 3. The Borrower has mandated the establishment of the Social Card Registry for the consolidation of data on social protection beneficiaries, as evidenced by the enactment of the Law on Social Card, duly published in the Borrower's Official Gazette No. 14, dated February 17, 2021.
 4. The Borrower has established an independent Commission for State Aid Control and has made it operational, as evidenced by: (i) the enactment of the Law on State Aid Control, duly published in the Borrower's Official Gazette No. 73/2019 on October 11, 2019; and (ii) the adoption of the founding statute of the Commission for State Aid Control, duly published in Borrower's Official Gazette No. 3 and 41, dated January 17, 2020 and March 24, 2020, respectively.
 5. The National Bank of Serbia has published, on a dedicated section of its website, all the bylaws, decisions, rulebooks, and summary of official opinions related to the implementation of the Law on Foreign Exchange Operations.
 6. The Borrower has set the date of January 1, 2021, for the entry into force of regulations to limit sulfur content in heavy fuel oil, as evidenced by the approval of the Rulebook on Technical and Other Requirements for Liquid Fuels of Petroleum Origin, duly published in the Borrower's Official Gazette No. 150/2020, dated December 14, 2020.

7. The Borrower has adopted the National Plan for the Reduction of the Main Pollutant Emissions from Old Large Combustion Plants, duly published in the Borrower's Official Gazette No. 10/2020, dated February 6, 2020.
8. The Borrower has enacted the Law on Climate Change (published in the Borrower's Official Gazette No. 26/2021 on March 23, 2021 and enters into force on March 31, 2021) which mandates the preparation and adoption of the Low-Carbon Development Strategy and its Action Plan and the Climate Change Adaptation Program, to establish systems to reduce GHG emissions and support climate adaptation in a cost-effective and economically viable manner.

Section II. Availability of Loan Proceeds

- A. **General.** The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.
- B. **Allocation of Loan Amounts.** The Loan is allocated in: (a) a single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds; and (b) the amounts requested by the Borrower to pay the Front-end Fee. The allocation of the amounts of the Loan to this end is set out in the table below:

Allocations	Amount of the Loan Allocated (expressed in Euros)
(1) Single Withdrawal Tranche	82,393,500
(2) Front-end Fee	206,500
TOTAL AMOUNT	82,600,000

- C. **Withdrawal Tranche Release Conditions.**

No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied: (a) with the Program being carried out by the Borrower; and (b) with the adequacy of the Borrower's macroeconomic policy framework.

D. Deposit of Loan Amounts.

The Borrower, within thirty (30) days after the withdrawal of the Loan from the Loan Account, shall report to the Bank: (a) the exact sum received into the account referred to in Section 2.03 (a) of the General Conditions; (b) the details of the account to which the Serbian Dinars equivalent of the Loan proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Borrower's budget management systems; and (d) the statement of receipts and disbursement of the account referred to in Section 2.03 (a) of the General Conditions.

E. Closing Date. The Closing Date is December 31, 2022.

SCHEDULE 2

Commitment-Linked Amortization Repayment Schedule

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”).

Level Principal Repayments

Principal Payment Date	Installment Share
On each June 15 and December 15 Beginning June 15, 2026 through December 15, 2035	5%

APPENDIX

Definitions

1. "Commission for State Aid Control" means the Borrower's Commission for State Aid Control, established pursuant to the Borrower's Law on State Aid Control, duly published in the Borrower's Official Gazette No. 73/2019 on October 11, 2019.
2. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for IBRD Financing, Development Policy Financing", dated December 14, 2018 (revised on August 1, 2020 and on December 21, 2020).
3. "GHG" means greenhouse gas.
4. "Law on Foreign Exchange Operations" means the Borrower's Law on Foreign Exchange Operations, duly published in the Borrower's Official Gazette No.62/2006, dated July 19, 2006, as amended pursuant to the amendments published in the Borrower's Official Gazette: (i) No. 31/2011, dated May 9, 2011; (ii) No. 3/2012, dated September 28, 2012; (iii) No. 119/2012, dated December 17, 2012; (iv) No. 139/2014, dated, December 18, 2014; and (v) No. 30/2018, dated April 20, 2018.
5. "Law on Public Procurement" means the Borrower's Law on Public Procurement, duly published in the Borrower's Official Gazette No. 91/2019, dated December 24, 2019.
6. "National Bank of Serbia" means the Borrower's Central Bank.
7. "Program" means: the program of objectives, policies, and actions set forth or referred to in the letter dated March 15, 2021 from the Borrower to the Bank declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program's objectives.
8. "Public Procurement Portal" means the portal that has been established pursuant to the Law on Public Procurement.
9. "Rulebooks and Guidelines" means: (i) the Rulebook on Determining the Content of Standard Templates for Publishing Public Procurement Notices on the Public Procurement Portal (published in the Borrower's Official Gazette No. 93 from

July 1, 2020); (ii) the Rulebook on the Content of Tender Documentation in Public Procurement Procedures (published in the Borrower's Official Gazette No. 21 from March 12, 2021); (iii) the Rulebook on the Procedure for Opening of Tenders (published in the Borrower's Official Gazette No. 93 from July 1, 2020); (iv) the Guideline on the Manner of Sending and Publishing of the Public Procurement Notices (published in the Borrower's Official Gazette No. 93 from July 1, 2020); and (v) the Guideline on Use of the Public Procurement Portal, (published in the Borrower's Official Gazette of the RS No. 93 from July 1, 2020).

10. "Signature Date" means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to "the date of the Loan Agreement" in the General Conditions.
11. "Single Withdrawal Tranche" means the amount of the Loan allocated to the category entitled "Single Withdrawal Tranche" in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
12. "Social Card Registry" means a consolidated database on the socioeconomic status of the Borrower's citizens who have applied for or receive social protection benefits managed by the Borrower's Ministry of Labor, Employment, Veteran and Social Affairs.