# LOAN NUMBER 9853-YF

Loan Agreement

**(Additional Financing for Tax Administration Modernization Project) 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 additional financing for the Original Project described in Schedule 1 to this Agreement (“Project”).

# ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

* 1. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
  2. 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

* 1. The Bank agrees to lend to the Borrower the amount of twenty-seven million two hundred and fifty thousand Euro (EUR 27,250,000) as such amount may be converted from time to time through a Currency Conversion (“Loan”), to assist in financing the Project.
  2. The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 to this Agreement.
  3. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
  4. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
  5. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
  6. The Payment Dates are April 15 and October 15 in each year.
  7. The principal amount of the Loan shall be repaid in accordance with Section 3.03 of the General Conditions and Schedule 3 to this Agreement.

# ARTICLE III — PROJECT

* 1. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower, through Serbia Tax Administration (STA), shall carry out the

Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

# ARTICLE IV — REMEDIES OF THE BANK

* 1. 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of the following, namely that the Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed, or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project.
  2. The Additional Event of Acceleration consists of the following, that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Bank to the Borrower.

# ARTICLE V — EFFECTIVENESS

* 1. The Effectiveness Deadline is the date one hundred and eighty (180) days after the Signature Date.

# ARTICLE VI — REPRESENTATIVE; ADDRESSES

* 1. The Borrower’s Representative, who, *inter alia*, may agree to modification of the provisions of this Agreement on behalf of the Borrower through exchange of letters (unless otherwise determined by the Borrower and the Bank), is its Minister of Finance.
  2. For purposes of Section 10.01 of the General Conditions:
     1. the Borrower’s address is: Ministry of Finance

20 Kneza Milosa St.

11000 Belgrade Republic of Serbia; and

* + 1. the Borrower’s Electronic Address is: Facsimile: E-mail:

(381-11) 3618-961 [kabinet@mfin.gov.rs](mailto:kabinet@mfin.gov.rs)

* 1. For purposes of Section 10.01 of the General Conditions:
     1. 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

* + 1. the Bank’s Electronic Address is: Telex: Facsimile:

248423(MCI) or 1-202-477-6391

64145(MCI)

AGREED and signed in English as of the Signature Date.

# REPUBLIC OF SERBIA

## By Siniša Mali

**Authorized Representative**

**Name:**

Siniša Mali

## Title: Date:

Finance Minister

07-Aug-2025

# INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

## By Nicola Pontara

**Authorized Representative**

**Name:**

Nicola Pontara

## Title: Date:

Country Manager

06-Aug-2025

# SCHEDULE 1

## Project Description

The objective of the project is to improve effectiveness of tax collection and lower the compliance burden for taxpayers.

The Project consists of the following parts:

## Component 1: Legal Environment

Provision of support to remove impediments in the Borrower’s legal framework to ensure effective functioning of STA, focusing on tax laws and regulations and information governance and exchange, including, *inter alia*:

1. the carrying out of an analysis of the Borrower’s national legal framework on:

(i) recognition of digital documents for judicial purposes; (ii) document retention and records management; and (iii) information exchange between STA, other government agencies and third parties;

1. the development of a procedural framework for automatic exchange of information with EU member states; and
2. the review of the Borrower’s legal framework to: (i) align the existing Borrower’s laws with European Union standards; (ii) develop options to strengthen legislation and administrative practice to counter risks of profit shifting and base erosion for the Borrower’s tax base; and (iii) provide recommendations for closing loopholes in tax laws and bylaws and improving implementing regulations.

## Component 2: STA Organization and Operations

1. Provision of support for: (i) the reform of STA’s human resource function to streamline its inefficient human resource support system; and (ii) the development and implementation of specifications for the enhancement of STA’s existing human resources management information system to make it fully functioning, in line with international standards.
2. Provision of support for: (i) the carrying out of business process reengineering to enable institutional, legal and procedural improvements in the Borrower’s tax administration; and (ii) the implementation of an effective tax compliance management system, including the development of methodologies and strengthening of the Borrower’s tax administration capacity in functional areas, including, *inter alia*, tax return and payment processing, enforcement and

compliance, tax audit, risk analysis, appeals process, internal control and audit, tax gap, and revenue estimation.

1. Provision of support for the modernization of taxpayer services with a view to increase the taxpayers’ understanding of revenue laws and procedures, taxpayers’ rights and obligations, including the provision of comprehensive e-services for taxpayers.

## Component 3: ICT System and Records Management Modernization

1. (i) provision of support for the modernization of the STA’s tax administration ICT system; (ii) implementation of an e-fiscalization system, including the acquisition of an e-cash register software product and carrying out of Training to address the recording gap for cash transactions; (iii) upgrade of the STA’s ICT infrastructure and provision of other software; and (iv) the carrying out of third- party data security audit.
2. (i) provision of support for the development of STA’s data warehouse, including the establishment of protocols for data exchange between the STA, other government bodies and third parties; (ii) the strengthening of the capacity of STA staff to mine data effectively from the data warehouse for risk assessment and other needs; and (iii) the development of a taxpayer register enabling interface with other systems.
3. Developing solutions to build records management capacity, clear paper records backlogs and provide systematic solutions for future records management through an information governance model.

## Component 4: Project Management and Change Management

Provision of cross-cutting support to activities in Components 1 to 3 of the Project, including: (a) the establishment of the PIU and strengthening of the CFU’s capacity; (b) the carrying out of internal and external stakeholder communication; and

(c) the provision of change management support to implementation teams within STA.

# SCHEDULE 2

## Project Execution Section I. Implementation Arrangements

1. **Institutional Arrangements**
   1. Without limitation to the provisions of Article V of the General Conditions and except as the Bank shall otherwise agree, the Borrower shall maintain throughout Project implementation, with composition, resources, terms of reference, and functions acceptable to the Bank:
      1. a Project implementation unit within STA (“PIU”), to be responsible for: (i) the overall coordination of all Project implementation activities; (ii) ensuring that the requirements, criteria, policies, procedures, and organizational arrangements set forth in the Project Operations Manual are applied in carrying out the Project; (iii) preparation of all Project implementation documents, including Project supervision reports; and

(iv) monitoring and evaluation of the Project; and

* + 1. a Central Fiduciary Unit (“CFU”), within MoF, to be responsible for the procurement and financial management of the Project, as detailed in the Project Operations Manual.
  1. **The Borrower shall maintain** throughout Project implementation: (a) a Project Steering Committee; and (b) an Advisory Committee; all with responsibilities, composition and functions as set forth in the Project Operations Manual.

## Project Operations Manual

* 1. The Borrower, through the PIU and CFU, shall carry out the Project in accordance with the provisions of a manual (the “Project Operations Manual”), in a manner and with contents acceptable to the Bank, including *inter alia*: (a) the indicators to be used in the monitoring and evaluation of the Project; (b) the procedures for Project monitoring, supervision and evaluation, including the format and content of the Project Reports; (c) the composition, rules of operation, and responsibilities of the Steering Committee and the Advisory Committee; and

(d) the procurement and financial management procedures.

1. Except as the Bank may otherwise agree in writing, the Borrower shall not abrogate, amend, suspend, waive, or otherwise fail to enforce the Project Operations Manual or any provision thereof.
2. In case of any conflict between the terms of the Project Operations Manual and those of this Agreement, the terms of this Agreement shall prevail.

## Safeguards

* 1. The Borrower, through STA, shall ensure that:
     1. the Project is carried out with due regard to appropriate health, safety, social, and environmental practices and standards, and in accordance with the Safeguards Instruments;
     2. for each activity under the Project for which the ESMF and the RPF provide for the preparation of an ESMP and/or a RAP:
        1. proceed to have such ESMP and RAP as appropriate: (A) prepared and disclosed in accordance with the ESMF and the RPF, respectively; (B) consulted upon adequately with people affected by the Project as per the ESMF and the RPF, respectively, and submitted to the Bank for review and approval; and (C) thereafter adopted, prior to implementation of the activity; and
        2. take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such ESMP and RAP in a manner satisfactory to the Bank;
     3. all measures are taken to implement the RAPs in a manner and timeframe satisfactory to the Bank. To this end, the Borrower shall ensure that:
        1. funds are made available to cover all the costs of implementing the RAPs;
        2. prior to carrying out activities which involve displacement, Affected Persons shall be compensated at full replacement cost, resettled and provided with resettlement assistant in accordance with the Subproject RAPs, as applicable; and
        3. the implementation, monitoring and evaluation of such RAPs is completed and reported in a manner satisfactory to the Bank.
  2. The Borrower, through STA, shall ensure that the obligation to comply with the relevant Safeguard Instruments is incorporated: (a) in the contracts between the Borrower and the relevant contractors and any entity (including any engineer) supervising the Project’s civil works; and (b) in the contracts between the relevant contractors and the contractors’ subcontractors.
  3. Except as the Bank shall otherwise agree, the Borrower, through STA, shall ensure, and cause to ensure, that none of the provisions of the Safeguard Instruments is abrogated, amended, repealed, suspended, or waived. In case of any inconsistencies between the provisions of any of the Safeguard Instruments and the provisions of this Agreement, the provisions of this Agreement shall prevail.
  4. The Borrower, through STA, shall ensure that: (a) all consultancies related to technical assistance, design and capacity building under the Project, the application of whose results could have environmental, social and health and safety implications, shall only be undertaken pursuant to terms of reference reviewed and found satisfactory by the Bank; and (b) such terms of reference shall require the technical assistance, design and capacity building activities to take into account the requirements of the applicable Bank Safeguards Policies and EHS Guidelines.
  5. The Borrower, through STA, shall maintain, throughout Project implementation, and publicize the availability of a grievance redress mechanism, in form and substance satisfactory to the Bank, to hear and determine fairly and in good faith all complaints raised in relation to the Project, and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Bank.

## Section II. Project Monitoring Reporting and Evaluation

The Borrower shall furnish to the Bank each Project Report not later than one (1) month after the end of each calendar semester, covering the calendar semester.

## Section III. Withdrawal of Loan Proceeds

1. **General.**

Without limitation upon the provisions of Article II of the General Conditions, the Borrower may withdraw the proceeds of the Loan: (a) to finance Eligible Expenditures for the Project in accordance with the Disbursement and Financial Information Letter; and (b) to pay (i) the Front-end Fee; all 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**  **(inclusive of Taxes other than value added tax and customs duties for Goods, works and non-consulting services)** |
| (1) Goods, works, Training, Operating Costs, non-consulting services, and consulting services for the Project | 27,181,875 | 100% |
| (2) Front-end Fee | 68,125 | Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions |
| **TOTAL AMOUNT** | **27,250,000** |  |

For the purpose of this table the customs duties and value-added tax for the importation and supply of goods, works 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 the Loan proceeds. The Borrower confirms that the importation and supply of goods, works 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.

## Withdrawal Conditions; Withdrawal Period

* 1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date.
  2. The Closing Date is April 30, 2028.

# SCHEDULE 3

## Commitment-Linked Amortization Repayment Schedule

The Borrower shall repay the principal amount of the Loan in accordance with the following table, which 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”).

|  |  |
| --- | --- |
| **Principal Payment Date** | **Installment Share** |
| On each April 15 and October 15 Beginning October 15, 2028  through October 15, 2034 | 7.14% |
| On April 15, 2035 | 7.18% |

# APPENDIX

## Section I. Definitions

1. “Advisory Committee” means the committee referred to in Section I.A.2(ii) of Schedule 2 to this Agreement.
2. “Affected Person” means a person or entity who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; and “Affected Persons” means more than one such Affected Person.
3. “Anti-Corruption Guidelines” means, for purposes of paragraph 6 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
4. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
5. “CFU” means the unit referred to in Section I.A.1(b) of Schedule 2 to this Agreement.
6. “EHS Guidelines” means the World Bank Group Environmental, Health and Safety Guidelines published on [www.ifc.org/ehsguidelines,](http://www.ifc.org/ehsguidelines) as said guidelines are updated from time to time.
7. “Environmental and Social Management Framework” or “ESMF” means the environmental and social management framework, prepared by the STA, satisfactory to the Bank, and disclosed on the Bank’s website on January 22, 2019, setting out the principles, rules, guidelines, and procedures to screen and assess the environmental and social impacts (including health and safety issues) of the activities which will be identified and appraised during Project implementation, and containing measures and plans to avoid, minimize, mitigate, and/or offset adverse impacts and/or reduce said adverse impacts to acceptable levels, and enhance positive impacts, provisions for estimating and budgeting the costs of such measures, and information on the agency or agencies responsible for addressing project impacts, as said instrument may be amended from time to time with the Bank’s prior written agreement.
8. “Environmental and Social Management Plan” or “ESMP” means the plans to be prepared, as required, satisfactory to the Bank, and to be disclosed on the Borrower’s website during the implementation of the Project, which details: (a) the measures to be taken during the implementation and operation of the Project to avoid, minimize, mitigate, or offset adverse environmental and social impacts (including health and safety issues), or to reduce them to acceptable levels; and (b) the actions needed to implement these measures, as said instrument may be amended from time to time with the Bank’s prior written agreement.
9. “EU” means the European Union.
10. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated December 14, 2018 (last revised on July 15, 2023), with the modifications set forth in Section II of this Appendix.
11. “ICT” means information and communications technology.
12. “Implementing Entity” means STA (as defined below).
13. “Implementing Entity’s Legislation” means the Borrower’s Law on Tax Procedure and Tax Administration, as amended, duly published in the RS Official Gazette No. 80/2002, 84/2002, 23/2003, 70/2003, 55/2004, 61/2005, 85/2005, 62/2006, 63/2006, 61/2007, 20/2009, 72/2009, 53/2010, 101/2011, 2/2012, 93/2012, 47/2013, 108/2013, 68/2014, 105/2014, 91/2015, 112/2015, 15/2016, 108/2016, 30/2018, 95/2018, 86/2019,144/2020,96/2021,138/2022 and

94/2024.

1. “MoF” means the Borrower’s ministry of finance, or any successor thereto.
2. “Operating Costs” means the reasonable incremental expenditures incurred on account of implementation of the Project, including, *inter alia,* 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), CFU staff salaries and other reasonable expenditures directly associated with the implementation of the Project, on the basis of annual budgets acceptable to the Bank, excluding salaries of the Borrower’s civil service employees.
3. “Original Loan Agreement” means the loan agreement dated May 7, 2019 (as amended) between the Borrower and the Bank in regard to loan number 8936- YF.
4. “Original Project” means the Project described in Schedule 1 to the Original Loan Agreement.
5. “PIU” means the Project implementation unit referred to in Section I.A.1(a) of Schedule 2 to this Agreement.
6. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017 and August 2018.
7. “Project Implementing Entity” means STA.
8. “Project Operations Manual” means the manual referred to in Section I.B of Schedule 2 to this Agreement.
9. “Resettlement Action Plan” or “RAP” means the instrument to be prepared in accordance with the procedures and requirements of the Resettlement Policy Framework, which includes the principles, procedures, organizational arrangements, and budget to implement the resettlement related activities under the Project, as said resettlement action plan may be revised from time to time with the prior written agreement of the Bank and “ RAPs” means, collectively, all such RAPs.
10. “Resettlement Policy Framework” or “RPF” means the resettlement policy framework prepared and adopted by the STA, satisfactory to the Bank, and disclosed on the Bank’s website on February 5, 2019, which sets out the resettlement principles, organizational arrangements (including consultation and budget), and design criteria to be applied to resettlement related Project activities to be prepared during Project implementation, as such framework may be amended from time to time with the prior written agreement of t Bank.
11. “Safeguard Instruments” means collectively, the ESMF, ESMP, RPF and RAP; “Safeguard Instrument” means any of such Safeguards Instruments.
12. “Safeguard Policies” means, the Operational Policies (Ops) and Bank Procedures (BPs) of the Bank, namely OP/BP 4.01 (Environmental Assessment), OP/BP

4.11 (Physical Cultural Resources) and OP/BP 4.12 (Involuntary Resettlement); they can be found at [https://policies.worldbank.org](https://policies.worldbank.org/).

1. “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.
2. “STA” means Serbian Tax Administration, a government body within the MoF, established pursuant to the Implementing Entity’s Legislation, or any successor thereto acceptable to the Bank.
3. “Steering Committee” means the committee referred to in Section I.A.2(a) of Schedule 2 to this Agreement.
4. “Training” means the reasonable costs, as shall have been approved by the Bank, for training and workshops conducted under the Project, including tuition, travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course and workshop preparation and implementation (but excluding goods and consultants’ services).

## Section II. Modifications to the General Conditions

**The General Conditions are hereby modified as follows:**

1. Section 3.01 (*Front-end Fee; Commitment Charge; Exposure Surcharge*) is modified to read as follows:

“Section 3.01. *Front-end Fee; Commitment Charge*

* 1. The Borrower shall pay the Bank a Front-end Fee on the Loan amount at the rate specified in the Loan Agreement. Except as otherwise provided in Section 2.07(b), the Borrower shall pay the Front-end Fee not later than sixty (60) days after the Effective Date.
  2. The Borrower shall pay the Bank a Commitment Charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement. The Commitment Charge shall accrue from the date of the Loan Agreement or the date which falls on the fourth anniversary of the date of approval of the Loan by the Bank, whichever is later, to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. Except as otherwise provided in Section 2.07(c), the Borrower shall pay the Commitment Charge semi-annually in arrears on each Payment Date.”

1. Section 3.04 (*Prepayment*) is modified to read as follows: “Section 3.04. *Prepayment*
   1. After giving not less than forty-five (45) days’ notice to the Bank, the Borrower may repay the Bank the following amounts in advance of maturity, as of a date acceptable to the Bank (provided that the Borrower has paid all Loan Payments due as at such date): (i) the entire Withdrawn Loan Balance as at such date; or (ii) the entire principal amount of any one or more maturities of the Loan. Any partial prepayment of the Withdrawn Loan Balance shall be applied in the manner specified by the Borrower, or in the absence of any specification by the Borrower, in the following manner: (A) if the Loan Agreement provides for

the separate amortization of specified Disbursed Amounts of the principal of the Loan the prepayment shall be applied in the inverse order of such Disbursed Amounts, with the Disbursed Amount which has been withdrawn last being repaid first and with the latest maturity of said Disbursed Amount being repaid first; and (B) in all other cases, the prepayment shall be applied in the inverse order of the Loan maturities, with the latest maturity being repaid first.

* 1. If, in respect of any amount of the Loan to be prepaid, a Conversion has been effected and the Conversion Period has not terminated at the time of prepayment, the provisions of Section 4.06 shall apply.”

1. In paragraphs originally numbered 75 and 81 of the Appendix, the terms “Loan Payment” and “Payment Date”, respectively are modified to read as follows:

“75. “Loan Payment” means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any surcharge, any transaction fee for a Conversion or early termination of a Conversion, any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower.”

“81. “Payment Date” means each date specified in the Loan Agreement occurring on or after the date of the Loan Agreement on which interest, Commitment Charge and other Loan charges and fees (other than the Front-end Fee) are payable, as applicable.”

1. Definitions in paragraphs 4 (Allocated Excess Exposure Amount), 53 (Exposure Surcharge), 99 (Standard Exposure Limit), and 105 (Total Exposure) of the Appendix are deleted in their entirety and the subsequent paragraphs are renumbered accordingly.