**SECOND CREDIT SPECIFIC AGREEMENT N° CRS1025 02 E**

**FOR THE FINANCING OF THE SERBIA GREEN AGENDA PROGRAMMATIC**

**DEVELOPMENT POLICY OPERATION**

**BETWEEN:**

**THE REPUBLIC OF SERBIA** represented by the Government of the Republic of Serbia, through First Deputy Prime Minister and Minister of Finance, Mr. Siniša Mali, duly authorised to sign this Agreement,

(“**The** **Republic of Serbia**” or the “**Borrower**”);

**AND**

**AGENCE FRANCAISE DE DEVELOPPEMENT**, a French public entity governed by French law, with its registered office at 5, Rue Roland Barthes, 75598 Paris Cedex 12, France, registered with the Trade and Companies Register of Paris under number 775 665 599, represented by Arnaud Dauphin, in his capacity as Director of Western Balkans regional office, duly authorised to sign this Agreement,

(“**AFD**” or the “**Lender**”);

**WHEREAS**

* 1. The Lender and the Borrower entered into a framework agreement on June 26, 2023, (the “**Framework Agreement**”) for the purpose of financing the Program as defined in Schedule 1A (*Program Description*) of the Framework Agreement (the “**Program**”).
  2. In the context of the Program, the Borrower intends to implement the Second Program Phase.
  3. Pursuant to resolution n°C20221268 of its *Conseil d’Administration* dated December 15, 2022, AFD is authorized to enter into a Framework Agreement for making two Credits available to the Borrower for the purpose of financing the Program Phases.
  4. Pursuant to resolution n°C20221267 of its *Conseil d’Administration* dated December 15, 2022, AFD agreed as well to make available to the Borrower through the Framework Agreement, a first Credit of an aggregate amount of one hundred and thirty five millions euros (EUR 135,000,000) (the “**First Credit**”), under the general conditions set out in the Framework Agreement and the specific conditions set out in the First Credit Specific Agreement.
  5. Pursuant to decision n°C20241362 of its *Chief Executive Officer* dated December 20, 2024, AFD has agreed to make available to the Borrower through the Framework Agreement, a second Credit of an aggregate amount of one hundred and thirty five millions euros (EUR 135,000,000) (the “**Second Credit**”), under the general conditions set out in the Framework Agreement and the specific conditions set out in this Second Credit Specific Agreement.

**THEREFORE, THE PARTIES HAVE AGREED** **AS FOLLOWS:**

1. Definitions and Construction

Capitalised words and expressions used in this Second Credit Specific Agreement (including those appearing in the recitals above and in the Schedules) shall have the meaning given to them in the Framework Agreement, except as otherwise provided in this Second Credit Specific Agreement.

Words and expressions used in this Second Credit Specific Agreement shall be construed pursuant to the provisions of Schedule 2 (*Definitions & Construction*) of the Framework Agreement, unless a contrary indication appears.

1. Credit

Subject to the terms of the Finance Documents, the Lender makes available to the Borrower the Second Credit in a maximum aggregate amount of one hundred and thirty five million euros (EUR 135,000,000) for the financing of the Second Program Phase of the Program which description is amended, updated and attached as Schedule 1 of this Second Credit Specific Agreement.

1. General Terms and Conditions - Framework Agreement

The terms and conditions set out in out the Framework Agreement constitute an integral part of this Second Credit Specific Agreement.

Then, the terms and conditions applicable to the Second Credit will be those set out in the Framework Agreement completed where applicable by those of this Second Credit Specific Agreement.

1. Availability of the Second Credit and repayment

The Deadline for Drawdown applicable to the Second Credit is February 20, 2026.

The Grace Period applicable to the Second Credit is twenty-four (24) months starting from the Signing Date of the Second Credit Specific Agreement.

The Payment Dates applicable to the Second Credit are April 15 and October 15 of each year.

The number of equal semi-annual instalments in principal amount applicable to the Second Credit is fourteen (14).

The first Payment Date on the principal amount of the Second Credit is October 15, 2027.

The last Payment Date on the principal amount of the Second Credit is April 15, 2034.

1. Financial terms

The financial terms of the Second Credit are as follows:

Amount: one hundred and thirty five million euros (EUR 135,000,000)

Margin: zero point sixty per cent (0.60%) per annum.

Fixed Reference Rate: two point ninety-three per cent (2.93%).

Signing Rate Setting Date:June 23, 2025.

Index Rate as at the Signing Rate Setting Date: three point twenty-eight per cent (3.28%).

Prepayment Compensatory Indemnity: the Prepayment Compensatory will be calculated by applying the following percentage to the amount of the Second Credit which is repaid in advance:

(a) if the repayment occurs between the Signing Date (included) and the 1st anniversary (excluded) of the Signing Date: two point five per cent (2.5%);

(b) if the repayment occurs between the 1st anniversary (included) and the 2nd anniversary (excluded) of the Signing Date: one point five per cent (1.5%);

(c) if the repayment occurs between the 2nd anniversary (included) and the 6th anniversary (excluded) of the Signing Date: one per cent (1%);

(d) if the repayment occurs after the 6th anniversary (included) of the Signing Date: zero point five per cent (0.5%).

1. Effective Global Rate (*Taux Effectif Global*)

In order to comply with Articles L. 314-1 to L.314-5 and R.314-1 *et seq*. of the French Consumer Code and L. 313-4 of the French Monetary and Financial Code, the Lender informs the Borrower, which the Borrower recognizes and accepts, that the effective global rate (*taux effectif global*) applicable to the Second Credit may be evaluated at an annual rate of three point zero five per cent (3.05%)on the basis of a three hundred and sixty-five (365) day year, and an Interest Period of six (6) months at a period rate of one point fifty-one per cent (1.51%), subject to the following:

1. the above rates are given for information purposes only;
2. the above rates are calculated on the basis that:

drawdown of the Second Credit in full at fixed rate on the Signing Date of the Second Credit Specific Agreement;

the fixed rate for the duration of the facility should be equal to two point ninety-three per cent (2.93%) per annum;

1. the above rates take into account the fees and costs payable by the Borrower under this Second Credit Specific Agreement, assuming that such fees and costs will remain fixed and will apply until the repayment in full of the Second Credit.
2. Representations

On the Signing Date of the Second Credit Specific Agreement, the Borrower represents that the representations and warranties given pursuant to Clause 12 *(Representations and Warranties)* of the Framework Agreement are accurate.

1. Complementary representations

The Borrower represents that it has not committed or participated in any act contrary to any anti-Money Laundering and counter-Terrorist Financing applicable law.

1. Complementary undertakings
   1. Investigations

The Borrower shall undertake to cooperate with the Lender or any third party mandated by the Lender in the event of an allegation of any Prohibited Practices in connection with the Program and extend all necessary assistance for satisfactory completion of such investigation.

Non-compliance with this Clause by the Borrower could, at the discretion of the Lender, constitute a Non-Cooperative Practice as defined in the Framework Agreement.

1. Governing law, enforcement and election of domicile

Governing Law

This Second Credit Specific Agreement is governed by French law.

Arbitration

Any dispute arising out of or in connection with the Second Credit Specific Agreement shall be referred to and finally settled by arbitration under the Rules of Conciliation and Arbitration of the International Chamber of Commerce applicable on the date of commencement of arbitration proceedings, by one or more arbitrators to be appointed in accordance with such Rules.

The seat of arbitration shall be Paris and the language of arbitration shall be English.

This arbitration clause shall remain in full force and effect if the Second Credit Specific Agreement is declared void or is terminated or cancelled and following expiry of the Second Credit Specific Agreement. The Parties’ contractual obligations under the Second Credit Specific Agreement are not suspended if a Party initiates legal proceedings against the other Party.

The Parties expressly agree that, by signing the Second Credit Specific Agreement, the Borrower irrevocably waives all rights of immunity in respect of jurisdiction or performance on which it could otherwise rely.

For the avoidance of doubt, this waiver includes a waiver of immunity from:

1. Any suit or legal, judicial or arbitral process arising out of, in relation to or in connection with this Second Credit Specific Agreement;
2. Giving of any relief by way of injunction or order for specific performance or for the recovery of assets or revenues;
3. Any effort to confirm, recognize, enforce or execute any decision, settlement, award judgment, execution order or, in an action in rem, any effort for the arrest, for the arrest, detention or sale of any of its assets and revenues that result from any arbitration, or any legal, judicial or administrative proceedings.

The Borrower does not waive any immunity in respect of any present or future (i) “premises of the mission” as defined in the Vienna Convention on Diplomatic Relations signed in 1961, (ii) “consular premises” as defined in the Vienna Convention on Consular Relations signed in 1963, (iii) assets that cannot be in commerce, (iv) military property or military assets and buildings, weapons and equipment designated for defence, state and public security, (v) receivables the assignment of which is restricted by law, (vi) natural resources, common use items, grids in public ownership, river basin land and water facilities in public ownership, protected natural heritage in public ownership and cultural heritage in public ownership, (vii) real estate in public ownership which is, partly or entirely, used by the authorities of the Republic of Serbia, autonomous provinces or local self-government for the purpose of exercising their rights and duties; (viii) the state's, autonomous province’s or local government’s stocks and shares in companies and public enterprises, unless the relevant entity consented to the establishment of a pledge over such stocks or shares, (ix) movable or immovable assets of health institutions, unless a mortgage was established based on the government's decision, (x) monetary assets and financial instruments determined as financial collateral in accordance with the law regulating financial collateral including monetary assets and financial instruments which are pledged in accordance with such law or (xi) other assets exempt from enforcement by international law or international treaties.

Election of domicile

Without prejudice to any applicable law, for the purposes of serving judicial and extrajudicial documents in connection with any action or proceedings referred to above, the Borrower irrevocably elects domicile at the address set out in Clause 18.1 *(Communications in writing and addresses*) of the Framework Agreement for service of process, and AFD chooses the address “*AFD SIEGE*” set out in Clause 18.1 *(Communications in writing and addresses*) of the Framework Agreement for service of process.

1. Entry into Force

This Second Credit Specific Agreement comes into force on the Effective Date, as defined in Framework Agreement and remains in full force and effect for as long as any amount is outstanding under the Second Credit Specific Agreement.

Executed in three (3) originals, one (1) for the Lender and two (2) for the Borrower, in Belgrade, the Republic of Serbia, on July 4, 2025.

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| **THE BORROWER** |
| **THE REPUBLIC OF SERBIA** |
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| Represented by: **Name: Siniša Mali**  **Capacity: First Deputy Prime Minister and Minister of Finance** |
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| **THE LENDER** |
| **AGENCE FRANCAISE DE DEVELOPPEMENT** |
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| Represented by : **Name: Arnaud Dauphin**  **Capacity: Director of Western Balkans regional office** |
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| **Co-signatory, His Excellency Mr. Pierre Cochard, Ambassador of France** |
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SCHEDULE 1: PROGRAM DESCRIPTION

| **Prior actions for DPL 1 and DPL2** | | **Results** | | |
| --- | --- | --- | --- | --- |
| **Prior Actions under DPL 1** | **Prior Actions for DPL 2** | **Indicator Name** | **Baseline** | **Target** |
| ***Pillar I - Program Development Objective A: Align fiscal management with the climate-change agenda*** | | | | |
| **Prior Action #1**: The Borrower has introduced the legal obligation to publish in-year budget execution information (covering the first six and nine months of budget execution), with functional and administrative breakdowns as in the original budget, to increase transparency in budgetary expenditures, including on environment and climate related activities, as evidenced by amendments to the Budget System Law, duly published in the Borrower’s Official Gazette No. 138, on December 12, 2022. | **Prior Action #1:** The Borrower has increased transparency in budgetary process by: (i) introduction of tagging of “green” budget expenditures in order to make more transparent information on spending on environment and climate-related activities by enacting amendments to the Budget System Law, Article 35, related to budgetary instructions and Article 79 related to the content of the final account, as evidenced by amendments to the Budget System Law, published in the Official Gazette No. 94/2024, dated November 28, 2024, and (ii) adoption of the annual plan for expansion of the coverage of budget beneficiaries with gender responsive budget, as evidenced by the Plan for introduction of the gender responsive budget in 2025, adopted by the Ministry of Finance on March 29, 2024. | **Results Indicator #1:**  a) In-year reports on central government’s budget execution published.  b) Number of budgetary beneficiaries which include budget program indicators on gender expenditures. | a) No (2022)  b) 45 (2022) | a) Yes, two in-year reports (2025)  b) 60 (2025) |
| **Prior Action #2:** The Borrower, pursuant to the Methodology for Fiscal Risk Monitoring, developed fiscal risk models to quantify fiscal risks over the medium-term, as included in the Fiscal Strategy, and introduced the obligation to produce in-year and annual fiscal risk reports, as evidenced by Government Decision 05 No. 40-9575/2021, duly published in the Borrower’s Official Gazette No. 99, dated October 22, 2021. | **Prior Action #2:** The Borrower has introduced analysis and estimates of the possible fiscal impact of disasters-related events as the mandatory section of the Fiscal Strategy in order to include that information when assessing the medium-term fiscal framework starting with the 2026 Fiscal Strategy, by amending the Budget System Law article 27 related to the content of the Fiscal Strategy, as evidenced by amendments to the Budget System Law, published in the Borrower’s Official Gazette No 94/2024, dated November 28, 2024. | **Results Indicators #2:**  The borrower started publishing the assessments of fiscal risks related to natural disasters in the Fiscal Strategy. | No (2022) | Yes (2025) |
| **Prior Action #3:** The Borrower has introduced additional environmental and climate-related criteria to evaluate public investment projects, submitted by Budget Beneficiaries to the MoF for financing from the Government’s budget, and prioritize those public investment projects with positive impact on the environment and climate change, as evidenced by the amendments to the Decree on Management of Capital Projects, duly published in the Borrower’s Official Gazette No. 139, dated December 16, 2022. |  | **Results Indicators #3:**  Share of environment and climate change related projects in total capital budget | n.a. (2021) | 15 percent (2025) |
| ***Pillar II – Program Development Objective B: Accelerate the clean energy transition*** | | | | |
| **Prior Action #4**: The Borrower, pursuant to the Law on the Use of Renewable Energy Sources, has (i) enabled implementation of auctions for renewable energy capacity, as evidenced by (a) the Decree on market premium model agreement (Decree 05 No. 110-9353/2021-1), and (b) the Decree on market premiums and feed-in tariff (Decree 05 No. 110-9352/2021-1), both duly published in the Borrower’s Official Gazette No. 112/2021, dated November 26, 2021; and (ii) introduced a simplified registration procedure for prosumers, as evidenced by the Decree on the criteria, conditions, and manner of calculating mutual financial claims between self-consumers and suppliers (Decree 5 No. 110-7592/2021-2) duly published in the Borrower’s Official Gazette No. 83, dated August 27, 2021. | **Prior Action #3 (i)**: The Borrower has updated the regulatory framework for the implementation of the second auctions for renewable energy capacities, based on the amended Law on the Use of Renewable Energy Sources, published in the Borrower’s Official Gazette No. 35/23, dated April 29, 2023, in order to increase renewable energy generation capacities, as evidenced by: 1) Decree on the Quota in the Market Premium System for Wind Farms, published in Borrower’s Official Gazette No. 90/2024, dated November 15, 2024; 2) Decree on the Quota in the Market Premium System for Solar Power Plant, published in Borrower’s Official Gazette No. 90/2024, dated November 15, 2024; 3) Decision on the Maximum Offered Price for Electricity for the Needs of Auctions in the Market Premium System, published in Borrower’s Official Gazette No. 90/2024, dated November 15, 2024; and 4) Amendments to the Decree on market premium and feed in tariff published in Borrower’s Official Gazette No. 90/2024, dated November 15, 2024.  **Prior Action #3 (ii)**: The Borrower has mandated the Ministry of Mining and Energy to formulate the hydrogen development and usage program in order to decrease GHG emissions in line with the EU Acquis, as evidenced by the amendments to the Energy Law, published in the Official Gazette of the RS No. 94/2024, dated November 28, 2024. | **Results Indicators #4:**  a) Renewable energy capacity enabled with policy support  (b) MW of cumulative renewable energy capacity procured through auctions. | a) 0 (2021)  b) 0 (2021) | a) 750 MW (2025)  b) 750 MW |
| **Prior Action #5:** The Borrower has revised the Rulebook on Internal Organization and Job Systematization (Rulebook No. 110-00-00085/2021-08, dated October 7, 2021) to enable the Energy Efficiency Administration to scale up programs for residential clean energy, as evidenced by the Government Decision 05 No. 110-10364/2021, dated November 10, 2021. | **Prior Action #4**: The Borrower has: (a) enabled implementation of the energy audit methodology as evidenced by the Rulebook prescribing the content of the energy audit report according to the categories of the energy audit, published in Borrower’s Official Gazette No. 63/2023, dated July 28, 2023; (b) defined the legal framework for eco-design of various energy-related products in order to promote energy efficiency related activities, as evidenced by adopted Set of Rulebooks on the Product Eco-design published in Borrower’s Official Gazette. | **Results Indicator #5:**  Financing mobilized per year for investment in residential energy efficiency by the programs of the MoME. | US$ 0 million (2020) | US$ 38 million (2025) |
| **Prior Action #6:** The Borrower, pursuant to the Energy Law and in order to promote transparent, and non-discriminatory access to the distribution grid for renewable energy prosumers and electricity retail service providers, has separated the Borrower-owned distribution system operator (“EPS Distribucija Ltd. Belgrade”) from the Borrower-owned power company (“PE Elektroprivreda Srbije”), by establishing and licensing a separate, and independent Borrower-owned legal entity (“Elektrodistribucija Srbije Ltd. Belgrade”), as evidenced by the Consolidated text of the Decision on the Incorporation of the “Elektrodistribucija Srbije Ltd. Belgrade”, No. 2460800-08.01-183456/1-22, dated April 28, 2022, notarized under certification No. UOP-T 12-2022, dated July 7, 2022. | **Prior Action #5** **(i)**: The Borrower has approved the transformation of the legal form of the power company “Elektroprivreda Srbije” from a public enterprise into a joint-stock company, as evidenced by Government Decision 05 No.023-3090/2023, dated April 6, 2023, published in Borrower’s Official Gazette No. 27/2023, dated April 7, 2023.  **Prior Action #5 (ii):** The Ministry of Environmental Protection issued first GHG emissions permits to the thermal power, cogeneration and heating plants of the ”Elektroprivreda Srbije” JSC, based on previously approved GHG emission monitoring plans, for the purpose of measurement and reporting of carbon emissions of “Elektroprivreda Srbije” JSC, pursuant to the provisions of the Law on Climate Change, as evidenced by the public list of issued permit, published by the MoEP. | **Results Indicator #6:**  a) The distribution system operator is fully unbundled from generation and supply activities.  b) Percent of power plant output with approved carbon emissions monitoring system. | a) No (2021)  b) 0 (2021) | a) Yes (2025)  b) 95% (2025) |
| **Prior Action #7** The Borrower: i) has expanded the benefits coverage for energy-vulnerable customers, as evidenced by the Decree on Energy Vulnerable Customers (Decree 05 No. 110-9890/2022-1), duly published in the Borrower’s Official Gazette No. 137/2022, dated December 9, 2022; and (ii) through its Council of the Energy Agency, has approved an increase of the electricity tariff for guaranteed supply to achieve sustainable tariff levels over the medium term, as evidenced by (a) Council of the Energy Agency of the Republic of Serbia Decision No. 487/2022-D-02/1, dated July 28, 2022, duly published in the Borrower’s Official Gazette No. 83/2022, dated July 28, 2022; and (b) Decision No. 791/2022-D-02/1, dated November 28, 2022, duly published in the Borrower’s Official Gazette No. 131/2022, dated November 29, 2022. |  | **Results Indicator #7:**  (a) Share of households receiving rebates to their energy bills under the protection program for Energy Vulnerable Customers.  (b) Percent increase in the average electricity price for customers entitled to a guaranteed supply at regulated prices (households and small-scale customers). | a) 2.7% (2021)    b) 3.4% (2021) | a) 6.4% (2025)  b) 15% (2025) |
| ***Pillar III – Program Development Objective C: Strengthen the legal framework for GHG mitigation and pollution management*** | | | | |
| **Prior Action #8:** The Borrower has introduced a Monitoring Reporting and Verification system for industrial installations to align with the EU’s Emission Trading System, as evidenced by the adoption of (i) Decree on types of activities and greenhouse gases which require an emissions permit (Decree 05 No. 110-817/2022), duly published in the Borrower’s Official Gazette No. 13/2022, dated February 4, 2022; and (ii) Rulebook on verification and accreditation of verifiers of greenhouse gases emissions reports (Rulebook No. 110-00-00057/2021-04), duly published in the Borrower’s Official Gazette No. 107/2021, dated November 12, 2021. | **Prior Action #6:** The Borrower has created a legal and institutional environment to strengthen the economywide monitoring and reporting of GHG emissions, as evidenced by: 1) the Rulebook on the content of the GHG inventory, published in Borrower’s Official Gazette No. 55/2023 on July 7, 2023; 2) the Decree types of data, bodies and organizations that submit data, published in Borrower’s Official Gazette No. 43/2023, dated May 5, 2023; 3) the Rulebook on Monitoring and Reporting of GHG emissions that enabled the operationalization of a national MRV IT platform as well as the GHG permitting system (published in Borrower’s Official Gazette 118/2023, dated December 28, 2023); and 4) the adoption and publication of the first National Inventory of GHG emissions, as evidenced by the Government Decision 05 No. 353-11715/2024-2, dated December 5, 2024. | **Results Indicator #8:**  a) Percentage of GHG permits issued relative to the number of submitted applications from operators;    b) Establishment of GHG permitting IT tool;  c) Number of capacity building trainings for operators of stationary installations and for competent authority. | a) 0% (2020)  b) No (2020)    c) 0 (2020) | a) 40% (2025)  b) Yes (2025)  c) 7 (2025) |
| **Prior Action #9:** The Borrower has aligned national policy and legislation with the EU Waste Framework Directive, as evidenced by the (i) adoption of the National Waste Management Program and Action Plan through Government Decision 05 No. 353-588/2022-1, duly published in the Borrower’s Official Gazette No. 12/2022, dated February 1, 2022, and (ii) submission to the Parliament of the Amendment to the Law on Waste Management, through Government notice 05 No. 011-10810/2022-2, dated December 30, 2022. | **Prior Action #7 (i):** The Borrower has developed a strategic and legislative framework for sludge management in order to align with the EU sludge legislation, as evidenced by: 1) the National Sludge Management Program and Action Plan, published in the Borrower’s Official Gazette No. 84/2023, dated October 5, 2023, and 2) the Decree on Sewage Sludge Management, published in Borrower’s Official Gazette No. 103/2023, November 21, 2023.  **Prior Action #7 (ii):** The Borrower has adopted legislation needed for environmentally sound management and increased reuse and recycling rates of the construction waste by adopting the Decree on management of construction and demolition waste, published in Borrower’s Official Gazette No. 93/2023, dated October 27, 2023, as corrected pursuant to the corrigendum published in Borrower’s Official Gazette No. 94/2023, dated October 30, 2023. | **Results Indicator #9:**  a) Accessibility of the population to sanitary landfills in the Republic of Serbia;  b) Number of unsanitary landfills under remediation;  c) Multiple management/disposal options for sewage sludge created in Serbian strategic and legal framework. | a) 42% (2021)  b) 0 (2020)  c) No (2020) | a) 55% (2025)  b) 4 (2025)  c) Yes (2025) |
| **Prior Action #10:** The Borrower has aligned national policy and legislation with the EU National Emissions Ceiling Directive and the Air Quality Framework Directive, as evidenced by adoption of the Air Protection Program in the Republic of Serbia for the period from 2022 to 2030 with an Action Plan, including specific interventions to address emissions from medium combustion plants, duly published in the Borrower’s Official Gazette No. 140, dated December 22, 2022. | **Prior Action #8:** The borrower has enabled issuance of emission permits through the new online portal by adopting: 1) the Rulebook on the application for an integrated pollution prevention and control permit, as published in Borrower’s Official Gazette No. 4/2024, dated January 19, 2024; and 2) the Rulebook on the format and content of the application for integrated permit, published in Borrower’s Official Gazette No. 4/2024, dated January 19, 2024. | **Results Indicator #10:**  a) Share of medium combustion plants (MCPs) with a thermal power from 1 to 50 MW out of the total number of MCPs registered in the National Register of Pollution Sources database.  b) Number of integrated permits issued. | a) 0 (2020)  b) 36 (2020) | a) 35% (2025)  b) 55 (2025) |