Loan Agreement

dated 18.07.2025

between

**KfW, Frankfurt am Main**

**("KfW")**

and

**Republic of Serbia**

**represented by the Government of the Republic of Serbia by and through the Ministry of Finance**

**("Borrower")**

for

**EUR 135,000,000.00**

**- Policy Based Loan (PBL) -**

**Reform of the Energy and Environmental Sectors of Serbia II**

**BMZ-No. 525000880**

**Loan ID:** **31812**

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PREAMBLE

This Loan Agreement represents the second phase of a joint Development Policy Operation between the World Bank ("**WB**"), the Agence Française de Développement ("**AFD**") and KfW. WB, AFD, KfW and the Borrower have agreed on policy initiatives, setting forth objectives, policies and actions as described in the Policy and Results Matrix (see Annex 8 (the "**Policy and Results Matrix**")), to improve sectoral reform processes in the energy and environmental sectors in the Republic of Serbia.

It is envisaged that the programme will be financed in parallel by a loan of the WB (the “**WB Loan**”) and a loan of AFD.

The terms and conditions of the Loan comply with the OECD requirements applicable on the date of signing of the Agreement for recognition as Official Development Assistance (ODA).

On this basis and under the condition that the Federal Republic of Germany extends a guarantee for the Loan, KfW will grant a Loan in accordance with the terms and conditions of this Loan Agreement.

## Loan

### *Amount.* KfW will extend to the Borrower a Loan not exceeding a total of

**EUR 135,000,000.00** (**"Loan"**)

(In words: one hundred thirty-five million Euros).

### *Purpose.* The Borrower will use the Loan exclusively to finance the Borrower´s budget in response to the energy and environmental sectors reform programme of Serbia (the **"Programme"**).

### *Taxes, charges, customs duties.* Taxes and other public charges owed by the Borrower as well as customs duties will not be financed from the Loan.

## Disbursement

### *Requesting disbursements.* KfW will disburse the Loan in one single disbursement in full to the Borrower upon receipt of a duly and validly completed and executed original Drawdown Notice by the Ministry of Finance provided that all conditions precedent to disbursement according to Article 2.3 (*Conditions precedent to disbursement*) have been met. The Drawdown Notice shall only be complete and valid if (i) it is irrevocable and has been submitted to KfW no later than by 12 noon on the tenth Banking Day (as defined in Article 14.1 Banking Day) prior to the disbursement date referred to in the Drawdown Notice; and (ii) it is substantially in the form of Annex 1 (*Drawdown Notice*).

### *Deadline for requesting disbursements.* KfW has the right to refuse to make disbursements after 30 June 2026.

### *Conditions precedent to disbursement.* KfW is obligated to make disbursements under this Agreement only if the following conditions precedent have been fulfilled in a manner satisfactory to KfW in form and substance:

1. The Borrower will have demonstrated to the satisfaction of KfW, by presenting a legal opinion the content of which is essentially in conformity with the specimen in Annex 2 (*Form of Legal Opinion of the Ministry of Justice of the Republic of Serbia*) hereof and by presenting certified copies (each with an official translation into the language of this Agreement) of all documents to which such legal opinion refers, that the Loan Agreement is legally effective and enforceable and, in particular, that
   1. the Borrower has met all requirements under its constitutional law and other applicable legal provisions for the valid assumption of all its obligations under this Agreement, and
   2. KfW is exempted from all taxes on income from interest earnings and all levies, commissions and similar costs in the Republic of Serbia when granting the Loan;
2. KfW is in possession of an original of this Agreement signed with legally binding force;
3. the specimen signatures mentioned in Article 12.1 (*Representation of the Borrower*) hereof have been received by KfW;
4. the guarantee from the Federal Republic of Germany mentioned in Article 7 (*Guarantee from the Federal Republic of Germany*) (the “**Guarantee**”) is in force and effect without any restriction. KfW will inform the Borrower once the Guarantee is in force and effect. The form of confirmation letter to be provided by KfW will be enclosed as Annex 3 to this Loan Agreement;
5. the Borrower has paid the Management Fee set forth in Article 3.2 (*Management Fee*) hereof;
6. no reason for termination has occurred, nor has an incident occurred that would become a cause for termination by notification or expiration or ascertainment or fulfilment of a condition (potential reason for termination);
7. no extraordinary circumstances have arisen that preclude or seriously jeopardise the implementation, the operation, or the purpose of the Programme or the performance of the payment obligations assumed by the Borrower under this Agreement; and
8. the Borrower has provided evidence to KfW on the fulfillment of the Programme prior actions as set out in Annex 8 (*Policy and Results Matrix*) (the “**Programme Prior Actions**”) and has received a written confirmation of KfW that the evidence is satisfactory to KfW in form and substance.

KfW has the right prior to any disbursement from the Loan to demand such further documents and evidence as it deems necessary at its discretion (acting reasonably in accordance with regulations and policies applicable to KfW and/or international banking practice) to ascertain the conditions precedent for disbursement specified in this section.

### *Right to cancel disbursements*. Subject to the fulfilment of its obligations under Article 10 (*Special obligations*) hereof the Borrower may waive the disbursement of the undisbursed Loan amount with the prior consent of KfW against payment of a **Non-Utilisation Fee** pursuant to and as defined in Article 2.5 (*Non-Utilisation Fee*) hereof.

### *Non-Utilisation Fee.* If the Borrower cancels the disbursement of a Loan amount for which an interest rate has already been determined pursuant to Article 2.4 (*Right to cancel disbursements*) hereof, or if such Loan amount is not disbursed at all or is not disbursed by the deadline stated in Article 2.2 (*Deadline for requesting disbursements*) hereof, the Borrower will promptly pay to KfW upon its request such amount as is necessary to compensate KfW for any losses, expenses or costs incurred by KfW as a result of the non-disbursement of the Loan amount (**"Non-Utilisation Fee"**), unless such non-disbursement constitutes a breach of this Agreement by KfW. KfW, acting reasonably, will calculate the amount of the Non-Utilisation Fee and communicate it to the Borrower.

## Fees

### *Commitment Fee.* The Borrower will pay a non-refundable commitment fee of 0,25 % per annum (**"Commitment Fee"**) on undisbursed Loan amounts.

The Commitment Fee is due for payment semi-annually in arrears on 15 May and 15 November of each year, for the first time on 15 November 2025, but no earlier than on the respective date following the day on which this Agreement enters into force and effect pursuant to Article 14.10 (*Entry into force and effect*) hereof.

The Commitment Fee will be charged if applicable with retroactive effect for the period beginning twelve months after the signing of this Agreement and lasting until the date of disbursement of the Loan in full or, if applicable, until the date of definitive termination of disbursements from the Loan.

### *Management Fee*. The Borrower will pay KfW a non-refundable one-time lump-sum management fee of 0,25 % of the Loan amount stated in Article 1.1 (*Amount*) hereof (**"Management Fee"**).

The Management Fee is payable on the earliest of the following two dates: (i) before the disbursement or (ii) after six months have elapsed since the signing of this Agreement by KfW or after one month has elapsed since the entry into force and effect of this Agreement (whichever of the dates stated under (ii) occurs later). The Management Fee is due for payment as soon as this Agreement has been signed irrespective of whether the Loan is disbursed in full or only in part or not at all.

## Interest

### *Variable Interest Rate with a fixed interest option*. The Borrower will pay interest on the Loan in accordance with the following provisions:

1. *Variable Interest Rate*. Unless a fixed interest rate applies pursuant to Article 4.1 c) (*Change to fixed interest rate* *at the request of the Borrower*), the interest rate applicable for an Interest Period (as defined in Article 4.1 b) (*Interest Period*)shall be determined as a variable interest rate in accordance with the definitions and terms as defined in Annex 9 (*Variable Rate Definitions*) [(the **"Variable Rate Definitions"**)](#_Annex_8_Variable) and the following provisions (such variable interest rate, the **"Variable Interest Rate"**):
   1. *EURIBOR*. The variable interest rate for the relevant Interest Period shall be determined as the aggregate of

(aa) the EURIBOR valid for the relevant Interest Period; and

(bb) the margin of **0.9 %** (in words: zero point nine percent)per annum (the **"Margin"**).

KfW shall promptly notify the Borrower of the relevant EURIBOR and the aggregate variable interest rate determined on this basis under this paragraph as well as of the duration of the relevant Interest Period.

* 1. *Term €STR*. If a Reference Rate Non-Utilisation Event has occurred and is continuing in relation to EURIBOR on the applicable Reference Rate Determination Date, the variable interest rate for the relevant Interest Period shall be determined as the aggregate of

(aa) the Term €STR valid for the relevant Interest Period; and

(bb) the relevant Term €STR Credit Adjustment Spread; and

(cc) the Margin.

KfW shall promptly notify the Borrower of the relevant Term €STR Reference Rate, the relevant Term €STR Adjustment Spread and the aggregate variable interest rate determined on this basis under this paragraph as well as of the duration of relevant Interest Period.

* 1. *Compounded €STR Observation Shift.* If a Reference Rate Non-Utilisation Event has occurred and is continuing in relation to EURIBOR and Term €STR on the applicable Reference Rate Determination Date, the variable interest rate for the relevant Interest Period shall be determined as the aggregate of

(aa) the Compounded €STR (Observation Shift) Calculated Daily Rate valid for the relevant Interest Period; and

(bb) the applicable Compounded €STR Credit Adjustment Spread; and

(cc) the Margin.

*Lag time.* When determining the variable interest rate under this paragraph (iii), a Lag Time of thirty (30) TARGET Days shall apply.

* 1. *Zero Floor.* If the interest rate thus calculated falls below 0 % per annum, the Variable Interest Rate will be 0 % per annum for the relevant Interest Period.
  2. *Interest Calculation Adjustments.* Further to the provisions of Articles 4.1 a) (ii), 4.1 a) (iii) and the Variable Rate Definitions, KfW may make such further technical, administrative, operational and other conforming changes and adjustments to these provisions as are required to permit the administration, calculation and determination of the relevant Reference Rate by KfW in a manner substantially consistent with market practice or as are required by KfW to make the interest provisions, in particular the timing and frequency of determining rates, the calculation rules, the notification periods and similar technical, administrative or operational measures, administratively feasible for KfW. To this effect, KfW may send the Borrower a notification (a **"Technical Adjustment Notification"**) which shall supplement and adjust this Agreement, and which shall, upon receipt and acknowledgement by the Borrower, form an integral part of this Agreement.

1. *Interest Period*. Interest period is the period from one Payment Date (as defined in Article 4.3 (*Payment Dates*) hereof) (including such date) to the next following Payment Date (excluding such date) with the exception of the first interest period which will begin on the value date of the disbursement of the relevant Loan amount and will end on the next Payment Date (the **"Interest Period"**).

If a Payment Date falls on a day that is not a Banking Day, it will be adjusted in accordance with Article 6.2 (*Due date*) hereof. In this case the Interest Period will end on the day of the adjusted Payment Date and the next Interest Period will commence on the adjusted Payment Date. The interest rate applicable until the original expiry of the Interest Period will apply to the adjusted Interest Period.

1. *Change to Fixed Interest Rate at the request of the Borrower*. After the last disbursement from the Loan the Borrower may demand that a fixed interest rate be applied for the full amount then outstanding in accordance with the following provisions (**"Interest Change"**) In the event the Borrower desires an Interest Change, the following provisions will apply:
   1. *Fixed-interest period*. The fixed-interest period extends from the date from which the interest rate fixed on the basis of Article 4.1 c) (iv) (*Fixed interest rate*) hereof below (**"Fixed Interest Rate"**) is to be applied at the request of the Borrower (**"Date of Effectiveness"**) until payment in full of the last repayment instalment; the Date of Effectiveness must fall on a Payment Date.
   2. *Notification of KfW*. The Borrower will notify KfW of its request for Interest Change in a form that essentially matches Annex 5 (*Specimen Application for Interest Change*) hereof. The notification must specify the desired Date of Effectiveness and must be received in Frankfurt am Main, Federal Republic of Germany, by 12:00 noon on the fifteenth Banking Day before the respective Date of Effectiveness at the latest.
   3. *Interest rate quotation*. In due time but not later than at 12:00 noon in Frankfurt am Main, Federal Republic of Germany, on the fifth (5th) Banking Day before the Date of Effectiveness, KfW will give the Borrower a non-binding quotation of the fixed interest rate that would be applicable pursuant to Article 4.1 c) (iv) (*Fixed interest rate*) hereof if the change were to take place on the date of such quotation.

If the Borrower irrevocably confirms to KfW the Interest Change and the Date of Effectiveness by 12:00 noon in Frankfurt am Main, Federal Republic of Germany, on the fourth (4th) Banking Day before the agreed Date of Effectiveness at the latest, KfW will then perform the Interest Change as instructed and will inform the Borrower of the Fixed Interest Rate determined on the Date of Effectiveness pursuant to Article 4.1 c) (iv) (*Fixed interest rate*) hereof.

If the Borrower does not accept the Fixed Interest Rate offered by KfW or if KfW has not received the Borrower's confirmation by 12:00 noon in Frankfurt am Main, Federal Republic of Germany, on the fourth (4th) Banking Day before the respective Date of Effectiveness, then KfW will not effect a change from the Variable to a Fixed Interest Rate.

* 1. *Fixed Interest Rate*. KfW will determine the Fixed Interest Rate on the basis of the capital market conditions then prevailing in the European Monetary Union for long-term loans taking into consideration the costs incurred by KfW plus a margin of 0.9 % (in words: zero point nine percent) per annum. If the interest rate calculated accordingly falls below 0 % per annum, the Fixed Interest Rate will be 0 % per annum. The Fixed Interest Rate thus determined will apply until the last repayment instalment has been received in accordance with the repayment schedule set out in Article 5.1 (*Repayment schedule*) hereof. KfW will inform the Borrower promptly of the Fixed Interest Rate.
  2. *Non-Utilisation Fee.* If following notification pursuant to Article 4.1 c) (iii) (*Interest rate quotation*) hereof KfW has set a Fixed Interest Rate for a Loan amount pursuant to Article 4.1 c) (*Change to fixed interest rate at the request of the Borrower*) hereof and if the Borrower then cancels the Interest Change or if the Interest Change is cancelled for other reasons for which KfW is not accountable, the Borrower will promptly pay to KfW upon its request a Non-Utilisation Fee. The Non-Utilisation Fee will be determined by calculating the amount (if any) by which:
  3. KfW’s initial costs of funding the respective loan amount in the Euro capital market (as determined on the date of on which KfW has set a Fixed Interest Rate for a Loan amount pursuant to Article 4.1 c) (*Change to fixed interest rate at the request of the Borrower*)) until the end of the fixed interest period applying to the Loan Amount had the change-over to a Fixed Interest Rate taken place as notified by the Borrower;

exceeds:

* 1. the amount of income which KfW would be able to obtain by reinvesting an amount equal to the respective Loan amount in the Euro capital market until the end of the fixed interest period.

The amount thus determined will be discounted by the applicable reinvestment interest rate curve.

* 1. *No reconversion.* After an Interest Change, a reconversion from a fixed interest rate to a variable interest rate is excluded.

### *Interest calculation*. Interest on a disbursed Loan amount will be charged from the date (inclusively) on which the respective Loan amount is disbursed from the Loan account held with KfW for the Borrower until the date (exclusively) on which the respective repayments are credited to KfW's account specified in Article 6.3 (*Account number, time of crediting*) hereof. If an Interest Change pursuant to Article 4.1 c) (*Change to fixed interest rate at the request of the Borrower*) hereof has been effected, interest will be charged including the day on which the repayments are credited, with no interest charged for the Date of Effectiveness. Interest will be calculated in accordance with Article 6.1 (*Calculation*) hereof.

### *Payment Dates.* Interest will be due in arrears for payment on the dates specified below (each a **"Payment Date"**):

1. prior to the due date of the first repayment instalment, on 15 May and 15 November of each year but no earlier than on the Payment Date following the day on which this Agreement enters into force and effect pursuant to Article 14.10 (*Entry into force and effect*) hereof;]
2. on the due date of the first repayment instalment pursuant to Article 5.1 (*Repayment schedule*) hereof together with such instalment;
3. thereafter on the due dates of the repayment instalments pursuant to Article 5.1 (*Repayment schedule*) hereof.

## Repayment and prepayment

### *Repayment schedule.* The Borrower will repay the Loan as follows:

|  |  |  |
| --- | --- | --- |
| Instalment | Due Date | Repayment installment in EUR |
| 1 | 15 May 2027 | 7,941,176.47 |
| 2 | 15 November 2027 | 7,941,176.47 |
| 3 | 15 May 2028 | 7,941,176.47 |
| 4 | 15 November 2028 | 7,941,176.47 |
| 5 | 15 May 2029 | 7,941,176.47 |
| 6 | 15 November 2029 | 7,941,176.47 |
| 7 | 15 May 2030 | 7,941,176.47 |
| 8 | 15 November 2030 | 7,941,176.47 |
| 9 | 15 May 2031 | 7,941,176.47 |
| 10 | 15 November 2031 | 7,941,176.47 |
| 11 | 15 May 2032 | 7,941,176.47 |
| 12 | 15 November 2032 | 7,941,176.47 |
| 13 | 15 May 2033 | 7,941,176.47 |
| 14 | 15 November 2033 | 7,941,176.47 |
| 15 | 15 May 2034 | 7,941,176.47 |
| 16 | 15 November 2034 | 7,941,176.47 |
| 17 | 15 May 2035 | 7,941,176.48 |

This Repayment Schedule may be adjusted from time to time in accordance with Article 5.5 (*Revised repayment schedule*).

### *Undisbursed Loan amounts*. Undisbursed Loan amounts will be offset against the respective last repayment instalment due pursuant to the repayment schedule set forth in Article 5.1 (*Repayment schedule*) hereof unless a different offsetting method is agreed upon by the parties.

### *Repayments in case of incomplete disbursement*. If a repayment instalment is due before the Loan has been disbursed in full, this will not affect the repayment schedule pursuant to Article 5.1 (*Repayment schedule*) hereof as long as the repayment instalment due under the repayment schedule is lower than the Loan amount disbursed and not yet repaid (**"Outstanding Loan Amount"**). If the repayment instalment due in accordance with Article 5.1 (*Repayment schedule*) hereof exceeds the Outstanding Loan Amount, such repayment instalment will be reduced to the level of the Outstanding Loan Amount and the difference will be allocated evenly to the repayment instalments still outstanding. In computing the Outstanding Loan Amount KfW reserves the right to consider disbursements from the Loan that are made within a period of 45 or fewer days before a Payment Date to determine the Outstanding Loan Amount only for the next ensuing Payment Date.

### *Prepayment*. The following will apply to prepayments:

1. *Right to prepayment*. Subject to the following paragraphs 5.4 b) (*Notification*) to 5.4 e) (*Offsetting*) hereof, the Borrower has the right to repay Loan amounts before the scheduled due date if this prepayment is at least in the amount of a repayment instalment pursuant to Article 5.1 (*Repayment schedule*) hereof.
2. *Notification*. Prepayment of a Loan amount pursuant to Article 5.4 a) (*Right to prepayment*) hereof is subject to notification of the prepayment by the Borrower to KfW no later than on the fifteenth Banking Day prior to the intended prepayment date. Such notice is irrevocable; it must specify the date and the amount of the prepayment and obligates the Borrower to pay to KfW the stated amount on the stated date.
3. *Prepayment Fee*. If the Borrower prepays
   1. a fixed interest Loan amount; or
   2. a Loan amount with a Variable Interest Rate before the end of the corresponding Interest Period,

the Borrower will immediately pay to KfW on demand such amount as is necessary to compensate for any losses, expenses or costs incurred by KfW as a result of such prepayment (the **"Prepayment Fee"**). KfW will determine the amount of the Prepayment Fee and communicate it to the Borrower. At the request of the Borrower KfW will provide the Borrower with an indication of the amount of the Prepayment Fee prior to the required irrevocable notification of the repayment pursuant to Article 5.4 b) (*Notification*) hereof.

d) *Amounts due*. Together with the prepayment pursuant to Article 5.4 a) (*Right to prepayment*) hereof, the Borrower will pay the following amounts:

* 1. any Prepayment Fee due as a result of the prepayment pursuant to Article 5.4 c) (*Prepayment Fee*) hereof; and
  2. all interest accrued on the prepaid Loan amount and any other payments still outstanding under this Agreement that have accrued until the date of the prepayment.

1. *Offsetting*. Prepaid Loan amounts will be offset against the respective last repayment instalment due pursuant to the repayment schedule set forth in Article 5.1 (*Repayment* schedule) hereof unless KfW at its own discretion after prior consultation with the Borrower chooses another offsetting alternative in individual cases.

### *Revised repayment schedule.* In case of any application pursuant to Article 5.3 (*Repayments in case of incomplete disbursement*) or Article 5.4 (*Prepayment*), KfW shall send the Borrower a revised repayment schedule which shall form an integral part of this Agreement and replace any repayment schedule applicable at the time of such replacement after the last disbursement under the Loan by KfW.

## Calculations and payments in general

### *Calculation.* The following will apply to the calculation of interest, Commitment Fee, default interest pursuant to Article 6.5 (*Default interest*) hereof, lump-sum compensation payments for overdue amounts pursuant to Article 6.6 (*Lump-sum compensation*) hereof, Non-Utilisation Fee and Prepayment Fee:

1. If a variable interest rate is applied to the respective Loan amount, interest, default interest, lump-sum compensation payments for overdue amounts, Non-Utilisation Fee and Prepayment Fee will be calculated on the basis of a 360-day year and the actual number of days elapsed.
2. If a fixed interest rate is applied to the respective Loan amount, interest, default interest, lump-sum compensation payments for overdue amounts, Non-Utilisation Fee and Prepayment Fee will be calculated on the basis of a 360-day year and thirty-day months.
3. The Commitment Fee will be calculated on the basis of a 360-day year with thirty-day months.

### *Due date.* If a payment to be made in connection with this Agreement falls due on a date that is not a Banking Day, the Borrower must make such payment on the following Banking Day. If the following Banking Day falls within the next calendar month, such payment must be made on the last Banking Day of the current calendar month.

### *Account number, time of crediting*. The Borrower will be released from its payment obligations in connection with this Agreement if and to the extent that the respective amounts have been credited to KfW at its free disposal without any deductions in euros and no later than at 10.00 a.m. in Frankfurt am Main, Federal Republic of Germany, to KfW's account in Frankfurt am Main, Federal Republic of Germany, number IBAN DE92 5002 0400 3122 3012 32, stating the due date as an additional reference ("Ref. YYYYMMDD").

### *Counterclaims of the Borrower.* The Borrower is not entitled to assert any rights of retention or set-off or comparable rights against payment obligations under this Agreement unless such rights are (i) established by means of a final and binding (rechtskräftig) court decision or arbitral award or (ii) not contested by KfW.

### *Default interest.* If any repayment instalments or prepayments pursuant to Article 5.4 (*Prepayment*) hereof are not at the disposal of KfW when due, KfW may without prior reminder charge default interest for the period beginning on the due date and ending on the date on which such payments are credited to the account of KfW specified in Article 6.3 (*Account number, time of crediting*) hereof at the rate of 200 basis points above the Variable Interest Rate *per annum* determined by KfW for the relevant Interest Period pursuant to Article 4 (*Interest*) hereof. Such default interest must be paid immediately upon KfW's first demand. If interest accrued on the overdue amounts at a Fixed Interest Rate pursuant to Article 4.1 c) (*Change to Fixed interested rate at the request of the Borrower*) hereof until their due date, KfW may alternatively demand payment of default interest from the due date until the date of payment at a rate of 200 basis points above this Fixed Interest Rate *per annum*.

### *Lump-sum compensation.* KfW may without prior reminder request lump-sum compensation on overdue amounts (with the exception of the repayment instalments and prepayments mentioned in Article 6.5 (*Default interest*) hereof) from the due date until the date of payment at a rate of 200 basis points above the Variable Interest Rate *per annum* determined by KfW for the relevant Interest Period pursuant to Article 4 (*Interest*) hereof. If the Variable Interest Rate was changed to a Fixed Interest Rate pursuant to Article 4.1 c) (*Change to Fixed Interest Rate at the request of the Borrower*) hereof, KfW may alternatively demand payment of a lump sum compensation on the overdue amounts from the due date until the date of payment at a rate of 200 basis points above this Fixed Interest Rate *per annum*. The lump-sum compensation must be paid immediately upon KfW's first demand. The Borrower is free to demonstrate that no damages have occurred or that the damages were less than the lump-sum compensation.

### *Offsetting.* KfW has the right to offset payments received against payments due under this Agreement.

### *Calculations made by KfW.* Absent manifest errors, the values calculated by KfW and calculations performed by KfW of amounts due in connection with this Loan Agreement constitute prima-facie evidence (*Anscheinsbeweis*).

## Guarantee from the Federal Republic of Germany

KfW will have payment claims under this Agreement guaranteed by the Federal Republic of Germany prior to the first disbursement.

## Illegality

If, in any applicable jurisdiction, it becomes unlawful for KfW to perform any of its obligations as contemplated by this Agreement or to fund or maintain the Loan, upon KfW notifying the Borrower

1. the commitment of KfW will be immediately cancelled, and
2. the Borrower shall repay the Loan in full on the last day of the Interest Period in which KfW has notified the Borrower or, if earlier, the date specified by KfW in the notice delivered to the Borrower (being no earlier than the last day of any applicable grace period permitted by law).

For the avoidance of doubt, any cancellation hereunder will be subject to Article 2.5 (*Non-Utilisation Fee*) and any repayment of the Loan hereunder constitutes a prepayment and will be subject to the provisions set out in Article 5.4 c) (*Prepayment Fee*) and d) (*Amounts due*).

## Costs and public charges

### *No deductions or withholdings.* The Borrower will make all payments under this Agreement without any deductions for taxes, other public charges or other costs. In the event that the Borrower is required by law or for any other reason to make deductions or withholdings from any payments, then it shall pay any such necessary additional amounts to KfW so that the net amount remaining after any withholding or deduction corresponds to the amount which would have been payable had no such deduction or withholding been made.

### *Costs.* The Borrower will bear all costs and expenses accruing in connection with the disbursement and repayment of the Loan, in particular remittance and transfer costs (including conversion fees), as well as all costs and expenses accruing in connection with the maintenance or enforcement of this Agreement and of any other document related to this Agreement as well as of all rights resulting therefrom.

### *Taxes and other charges.* The Borrower will bear all taxes and other public charges accruing outside the Federal Republic of Germany in connection with the conclusion and execution of this Agreement. If KfW advances such taxes or charges, the Borrower will transfer them without delay upon request to KfW's account specified in Article 6.3 (*Account number, time of crediting*) hereof or to such other account as specified by KfW.

## Special obligations

### *Programme implementation and special information.* The Borrower

1. will prepare, implement, operate and maintain the Programme in conformity with sound financial and technical practices, in compliance with environmental and social standards and substantially in accordance with the Programme conception agreed upon between the Borrower and KfW;
2. shall ensure that the activities of its departments and agencies with respect to carrying out the Programme are conducted and coordinated in accordance with sound administrative policies and procedures;
3. will ensure the full financing of the Programme and furnish to KfW upon its request evidence proving that the costs not paid from this Loan are covered;
4. will keep books and records or have books and records kept that unequivocally show the implementation and progress of the Programme;
5. will enable KfW and its agents at any time to inspect such books and records and any and all other documentation relevant to the implementation of the Programme;
6. will furnish to KfW any and all such information and records on the Programme and its further progress as KfW may request;
7. will, immediately and on its own initiative,
   1. forward to KfW any queries received by the Borrower from the OECD or its members under the so-called "Agreement for Untied ODA Credits Transparency" and will coordinate the reply to any such queries with KfW, and
   2. notify KfW of any and all circumstances that preclude or seriously jeopardise the implementation, the operation or the purpose of the Programme and
8. will furnish to KfW all Programme-related information provided to WB and/or AFD, at the same time at which such information is forwarded to these institutions.

### *Details of Programme implementation*. The details pertaining to Article 10.1 (*Programme implementation and special information*) hereof are set out in Annex 7 ("**Programme Design**”). The Borrower undertakes to comply at all times with the obligations set out therein.

### *Compliance Undertaking.* The Borrower undertakes to comply at all times with the obligations set out in Annex 6 (*Compliance Covenants*).

### *Programme Monitoring*. The Borrower and KfW shall from time to time, at the request of either party, consult and exchange views on the development of the Programme and progress achieved with regard to the implementation of the sector reforms. Prior to each such consultation and exchange of views, the Borrower shall furnish to KfW for its review and comment a report on the progress achieved in the implementation of the Programme, in such detail as KfW may reasonably request.

### *Pari passu ranking.* The Borrower warrants and represents that its obligations under this Agreement rank and will be serviced at least pari passu with all other unsecured and not subordinated payment obligations, and the Borrower will ensure to the extent permitted by law that this ranking is also assured for all future unsecured and not subordinated payment obligations.

## Termination of the Agreement

### *Reasons for termination.* KfW may exercise the rights set out in Article 11.2 (*Legal consequences of the occurrence of a cause for termination*)hereof if a circumstance arises that constitutes good cause (*Wichtiger Grund*). These include, in particular, the following circumstances:

1. the Borrower fails to perform payment obligations to KfW when due;
2. obligations under this Agreement as well as any other legally binding additional agreements to this Agreement are violated;
3. this Agreement or any part thereof no longer has a binding effect upon the Borrower or can no longer be enforced against the Borrower;
4. any declaration, confirmation, information, representation or warranty considered by KfW to be essential for the granting and maintaining of the Loan proves to be false, misleading or incomplete;
5. other extraordinary circumstances occur which delay or preclude the performance of obligations under this Agreement;
6. the Borrower is unable to prove that the Loan amounts have been used for the stipulated purpose;
7. the Borrower discontinues its payments to creditors, is insolvent or commences negotiations with one or more of the Borrower's creditors on a moratorium, waiver of debts outstanding, deferment of payments or discontinuation of the debt service.

### *Legal consequences of the occurrence of a cause for termination.* If one of the events mentioned in Article 11.1 (*Reasons for termination*) hereof has occurred, KfW may immediately suspend disbursements under this Agreement. If this event is not resolved within a period of five days (in the case of Article 11.1 a) hereof) or in all other cases of Article 11.1 (*Reasons for termination*) hereof within a period determined by KfW which, however, shall be at least 30 days, KfW may cancel this Agreement in whole or in part with the consequence that its obligations under this Agreement cease and KfW may demand the immediate repayment of all or part of the Outstanding Loan Amount together with the interest accrued and the remaining amounts owed under this Agreement. Articles 6.5 (*Default interest*) and 6.6 (*Lump-sum compensation*) hereof apply to accelerated amounts mutatis mutandis.

### *Compensation for damages.* If this Agreement is terminated in full or in part the Borrower will pay Non-Utilisation Fee in accordance with Article 2.5 (*Non-Utilisation Fee*) and/or Prepayment Fee in accordance with Article 5.4 c) (*Prepayment Fee*)*.*

## Representation and statements

### *Representation of the Borrower.* The Minister of Finance and such persons as designated by him or her to KfW and authorised by specimen signatures authenticated by him or her will represent the Borrower in the execution of this Agreement. The powers of representation will not expire until their express revocation by the representative of the Borrower authorised at such time has been received by KfW.

### *Addresses:* Declarations or notifications in connection with this Agreement must be in writing. They must be sent as originals. Any and all declarations or notifications made in connection with this Agreement must be sent to the following addresses:

**For KfW:** KfW

Postfach 11 11 41

60046 Frankfurt am Main

Germany

Fax: +49 69 7431-2944

**For the Borrower:** Ministry of Finance

Kneza Milosa 20, 11000 Belgrade

Republic of Serbia

## Publication and transfer of programme-related information

### *Publication of programme-related information by KfW.* To comply with internationally accepted principles of utmost transparency and efficiency in the development cooperation, KfW publishes selected information (including results of environmental and social categorization and assessment as well as ex post evaluation reports) about the Programme and its financing during pre-contractual negotiations, while the Programme-related agreement(s) is (are) being implemented and in the post-contractual stage (hereinafter referred to as the **"Entire Period"**).

The information is published regularly on the website of KfW Development Bank ([https://www.kfw.de/microsites/Microsite/transparenz.kfw.de/#/start](https://www.kfw.de/microsites/Microsite/transparenz.kfw.de/" \l "/start)).

The publication of information (either by KfW or third parties in accordance with Article 13.3 (*Transfer of programme related information to third parties and publication by these*) below) about the Programme and its financing does not include any contractual documentation or any sensitive financial or business-related detailed information about the parties involved in the Programme or its financing, such as

1. information about internal financial data;
2. business strategies;
3. internal corporate guidelines and reports;
4. personal data of natural persons;
5. KfW's internal rating of the parties’ financial position.

### *Transfer of programme-related information to third parties*. KfW shares selected information about the Programme and its financing during the Entire Period with the entities mentioned below, particularly to ensure transparency and efficiency:

1. subsidiaries of KfW;
2. the Federal Republic of Germany and its competent bodies, authorities, institutions, agencies or entities;
3. other implementing organisations involved in German bilateral development cooperation, particularly the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH;
4. international organisations involved in collecting statistical data and their members, especially the Organisation for Economic Cooperation and Development (OECD), the Paris Club and their respective members (including, for the avoidance of doubt, the participants and observers of the Paris Club);
5. World Bank (WB);
6. Agence Française de Développement (AFD).

### *Transfer of programme-related information to third parties and publication by these*. Furthermore, the Federal Republic of Germany has requested KfW to share selected information about the Programme and its financing throughout the Entire Period with the following entities, which publish the sections relevant to the purpose:

1. Federal Republic of Germany for the purposes of the International Aid Transparency Initiative (<https://www.bmz.de/en/ministry/facts-figures/project-and-organisation-data>)
2. Germany Trade & Invest (GTAI) for the purposes of market information (<https://www.gtai.de/de/trade>)
3. OECD for the purpose of reporting financial flows in the framework of development cooperation (<https://www.oecd.org/>)
4. German Institute for Development Evaluation (DEval) for the purposes of evaluating the overall German development cooperation to ensure transparency and efficiency (<https://www.deval.org/en/>).

### *Transfer of programme-related information to other third parties* (*including publication by these*). KfW further reserves the right to transfer (including for the purposes of publication) information about the Programme and its financing during the Entire Period to other third parties so as to safeguard legitimate interests.

The information is not transferred by KfW to other third parties if the legitimate interests of the Borrower in the information not being transferred outweigh KfW's interests in it being transferred. The legitimate interests of the Borrower particularly include the confidentiality of the sensitive information mentioned in Article 13.1 (*Publication of programme-related information by KfW*), which is excluded from publication.

Furthermore, KfW is entitled to transfer information to third parties if this is necessary due to statutory or regulatory requirements or to assert or defend claims or other legal rights in court or administrative proceedings.

## General provisions

### *Banking Day.*

**"Banking Day"** means each day (other than a Saturday or Sunday), on which commercial banks are open for general business in Frankfurt am Main, Germany; provided that for the purposes of defining any repayment date, Reference Rate Determination Date and Payment Date in relation to a Loan provided hereunder and for determining any dates for disbursement or other payments thereunder, such day must in addition be a TARGET Day.

**"TARGET Day"**means any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET) is open for payments.

### *Place of performance.* The place of performance for all obligations under this Agreement is Frankfurt am Main, Federal Republic of Germany.

### *Partial invalidity and gaps.* If any provision of this Agreement is or becomes invalid, or if there is a gap in any of the provisions of this Agreement, this will not affect the validity of the remaining provisions hereof. The parties to this Agreement will replace any invalid provision by a legally valid one which comes as close as possible to the spirit and purpose of the invalid provision. The parties will fill any gap in the provisions with a legally valid provision which comes as close as possible to the spirit and purpose of this Agreement.

### *Written form.* Any addenda and amendments to this Agreement must be in writing. The parties may waive the written form requirement only in writing.

### *Assignment.* The Borrower may not assign or transfer, pledge or mortgage any claims from this Loan Agreement.

### *Applicable law.* This Agreement is governed by German law.

### *Limitation period.* All claims of KfW under this Agreement expire after five years from the end of the year in which such claim has arisen and in which KfW has become aware of the circumstances constituting such claim or could have become aware of them without gross negligence.

### *Waiver of immunity.* If and to the extent that the Borrower may now or in future in any jurisdiction claim immunity for itself or its assets and to the extent that a jurisdiction grants immunity to the Borrower and its assets from suit, execution, attachment or other legal process, the Borrower irrevocably agrees to waive such immunity for claims from and in connection with this Loan Agreement to the fullest extent permitted by the laws of such jurisdiction. Foregoing waiver of immunity shall not apply to property which is (i) used by diplomatic, consular, special missions and missions of international organzations or of international conferences of the Borrower’s Country or (ii) of a military character and under the control of a military authority.

### *Legal disputes.*

*Arbitration*. All disputes arising out of or in connection with this Loan Agreement will be settled exclusively and finally by an arbitration tribunal. In this regard, the following will apply:

* 1. The arbitration tribunal will consist of one or three arbitrators who will be appointed and will act in accordance with the Arbitration Rules of the International Chamber of Commerce (ICC) applicable from time to time.
  2. The arbitration proceeding will be conducted in Frankfurt am Main. The language of the proceeding will be English.

### *Entry into force and effect.* With the exception of this Article 14.10, the Loan Agreement will not enter into force and effect until:

1. the Loan Agreement has been ratified by the National Assembly of the Republic of Serbia, and
2. the Borrower has provided KfW with a written confirmation without undue delay after ratification that the Loan Agreement has been duly ratified and published according to applicable law.

Should the Loan Agreement not have entered into force and effect within twelve months following the date the last party has signed this Loan Agreement, KfW may, as of the day following the end of the twelve months period until the date of entry into force, unilaterally withdraw from this Loan Agreement and thus terminate its provisional ineffectiveness by sending a written notification to the Borrower. In this event the Borrower will pay Non-Utilisation Fee in accordance with Article 2.5 (Non-Utilisation Fee).

### *Information concerning Article 14.10.* KfW will send the Borrower a letter in form and substance similar to the letter set out in Annex 4 to the Loan Agreement.

Done in 4 originals in the English language.

Frankfurt am Main, 18.07.2025 Belgrade, 18.07.2025

KfW For the Republic of Serbia

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name: Florian Sekinger Name: SINIŠA MALI

Title: Head of Division Title: FIRST DEPUTY PRIME MINISTER AND MINISTER OF FINANCE

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name: Carsten Sandhop

Title: Büroleiter

Annex 1 – Drawdown Notice

Annex 2 – Form of Legal Opinion of the Ministry of Justice of the Republic of Serbia

Annex 3 – Confirmation letter from KfW regarding the German Government

Guarantee

Annex 4 – Information concerning Article 14.10

Annex 5 – Specimen Application for Interest Change

Annex 6 – Compliance Covenants Borrower

Annex 7 – Programme Design

Annex 8 – Policy and Results Matrix

Annex 9 – Variable Rate Definitions

# Drawdown Notice

**[Letterhead of Borrower]**

To: KfW

Department: OSb7

Palmengartenstraße 5-9

60325 Frankfurt am Main

Federal Republic of Germany

**Request for disbursement N° ....**

**Re.: Loan Agreement N° .... dated \_\_\_\_\_\_\_\_\_\_\_\_\_ for an amount of EUR**

We refer to Article 2 of the above mentioned Loan Agreement (as defined therein) and we hereby irrevocably and unconditionally request to disburse a Loan Amount of EUR ............... (in words: ....... Euro) to our following account, value [Date]:

For disbursements:

|  |  |
| --- | --- |
| **Final Beneficiary**: | SWIFT Field 59 (MT 103) / Field 58 (MT202) |
| Final Beneficiary IBAN / Account Number: |  |
| **Account Holding Bank Name:** | SWIFT Field 57 |
| Account Holding Bank BIC: |  |
| IBAN / Account Number of Account Holding Bank with Intermediary Bank |  |
| **Intermediary Bank Name:** | SWIFT Field 56 In addition *(if the beneficiary’s bank is not located in the country of the currency of payment the name and BIC of the bank’s correspondent in that country must be provided)* |
| Intermediary Bank BIC: |  |
| Reference: |  |

We hereby confirm that all the conditions for disbursement as stated in Article 2 including in particular the condition set out in Art 2.3 h) of the above mentioned Loan Agreement have been satisfied.

We hereby confirm that the above mentioned Loan Agreement is still in full force and effect that with reference to the Loan Agreement no reason for termination and no potential reason for termination (each as defined therein) exists.

|  |
| --- |
| ……………………………….. |
| at …......................... 20----------- |
|  |
| ..................................... ................................ |
| Name: |
| Position: |

# Form of Legal Opinion of the Ministry of Justice of the Republic of Serbia

*[Letterhead of Legal Opinion’s Issuer]*

KfW

Department [     ] (date)

Attn: [                    ]

Palmengartenstrasse 5 - 9

Postfach 11 11 41

60325 Frankfurt am Main/Germany

Federal Republic of Germany

**Loan Agreement dated                 and made between KfW and [                    ] ("Borrower") for an amount not exceeding in aggregate EUR    .000.000,--.**

Dear Sirs,

I am [Minister of Justice of] [legal adviser to] [head of the legal department of]                 *(please specify ministry or other authority)* of] the Republic of Serbia. I have acted in that capacity in connection with a loan agreement, dated       (the "Loan Agreement"), and made between the Borrower and yourselves with respect to a loan to be granted by yourselves to the Borrower in an amount not exceeding in aggregate EUR    .000.000,--.

1. Documents examined

I have examined:

1.1 an authentic signed original of the Loan Agreement;

1.2 the constitutional documents of the Borrower, in particular:

(a) the Constitution of the Republic of Serbia, dated           , duly published in           , No      , page      , as amended;

(b) Law(s) No       dated           , duly published in           , No      , page      , as amended *[please insert here, if existing, laws (e.g. budget laws) concerning the borrowing of money by the Republic of Serbia]*;

(c)                      *[please refer here to other documents, e.g. decrees or resolutions by governmental or administrative bodies of the Republic of Serbia relating to the conclusion of loan agreements by the Republic of Serbia in general or with regard to the conclusion of the Loan Agreement]*.

and such other laws, regulations, certificates, records, registrations and documents as I have deemed necessary or desirable to examine. In addition, I have made such investigations as I have deemed necessary or desirable for the purpose of giving this opinion.

2. Opinion

For the purposes of Article       of the Loan Agreement, I am of the opinion that under the laws of the Republic of Serbia at the date hereof:

2.1 According to Article       of the Constitution / Article       of the law on                 *[please specify as appropriate]* the Borrower is entitled to enter into the Loan Agreement and has taken all necessary action to authorise the execution, delivery and performance of the Loan Agreement, in particular by virtue of:

(a) Law(s) No(s)            dated            of the parliament of the Republic of Serbia, ratifying the Loan Agreement / approving the execution, delivery and performance of the Loan Agreement by the Borrower /                      *[please insert as appropriate]*;

(b) Resolution(s) No(s)            dated            of the Cabinet of Ministers / of the state loan committee /                           *[please insert governmental or administrative bodies of the Republic of Serbia as appropriate]*;

(c)                 [please refer to other resolutions, decisions etc.].

2.2 Ms./Mr.                      (and Ms./Mr.                     ) is (are) duly authorised by                      *[e.g. by law due to her / his position (as Minister of           / as           ), by government resolution                , by power of attorney of                 dated           , etc.]* to sign solely / jointly the Loan Agreement on behalf of the Borrower. The Loan Agreement as signed by Ms./Mr.                    (and Ms./Mr.                     ) has been duly executed on behalf of the Borrower and constitutes legally binding obligations of the Borrower enforceable against it at law in accordance with its terms.

*[****Alternative 1*** *for Section 2.3, to be used if in addition to the documents specified in Section 2.1 and 2.2 certain official authorisations etc. must be obtained under the laws of the Republic of Serbia:]*

2.3 For the execution and performance of the Loan Agreement by the Borrower (including without limitation the obtaining and transfer to KfW of all amounts due thereunder in the currencies specified therein), the following official approvals, authorisations, licenses, registrations and / or consents have been obtained and are in full force and effect:

(a) Approval of the                      [Central Bank / National Bank /                     ], dated           , No           ;

(b) Consent of the                      [Minister / Ministry of                 ], dated           , No           ; and

(c)                      *[please list any other official authorisations, licenses and / or consents]*.

No other official authorisations, consents, licenses, registrations and / or approvals of any governmental authority or agency (including the Central / National Bank of the Republic of Serbia) or court are required or advisable in connection with the execution and performance of the Loan Agreement by the Borrower (including without limitation the obtaining and transfer to KfW of all amounts due thereunder in the currencies specified therein) and the validity and enforceability of the Borrower’s obligations under the Loan Agreement.

*[****Alternative 2*** *for Section 2.3, to be used only if in addition to the documents specified in Section 2.1 and 2.2* ***no*** *official authorisations etc. must be obtained under the laws of the Republic of Serbia:]*

2.3 No official authorisations, consents, licenses, registrations and / or approvals of any governmental authority or agency (including the Central / National Bank of the Republic of Serbia) or court are required or advisable in connection with the execution and performance of the Loan Agreement by the Borrower (including without limitation the obtaining and transfer to KfW of all amounts due thereunder in the currencies specified therein) and the validity and enforceability of the Borrower's obligations under the Loan Agreement.

2.4 No stamp tax or similar tax or duty has to be paid in connection with the validity or enforceability of the Loan Agreement.

2.5 The choice of German law to govern the Loan Agreement and the submission to arbitration in accordance with Article       of the Loan Agreement are valid and binding. Arbitration awards against the Borrower will be recognised and enforceable in the Republic of Serbia according to the following rules:                      *[please insert applicable treaty (if any), e.g. the 1958 New York Convention, and / or the basic principles regarding recognition and enforcement of arbitration awards in the Republic of Serbia]*.

2.6 The courts of the Republic of Serbia are at liberty to give judgment de-nominated in the currency or currencies specified in the Loan Agreement.

2.7 The borrowing by the Borrower under the Loan Agreement and the execution and performance by the Borrower of the Loan Agreement constitute private and commercial acts and not governmental or public acts. Neither the Borrower nor any of its property (with the exception of property to which the waiver of immunity does not apply in accordance with Article [14.8] of the Loan Agreement) has any right of immunity from arbitration, suit, execution, attachment or other legal process.

2.8 Pursuant to the                                 *[please specify treaty or applicable laws and regulations]* the Borrower will not be required to make any deduction or withholding from any payment the Borrower has to make under the Loan Agreement and should any such deduction or withholding be subsequently imposed, the provisions of Article       of the Loan Agreement shall operate so as to require the Borrower to indemnify KfW accordingly.

2.9 KfW is not and will not be deemed to be resident, domiciled, carrying on business or be subject to taxation in the Republic of Serbia by reason only of the execution, performance or enforcement of the Loan Agreement. It is not necessary or advisable that KfW be licensed, qualified or otherwise entitled to carry on business or that KfW appoints agents or representatives in the Republic of Serbia.

Consequently, the obligations of the Borrower under the Loan Agreement constitute direct and unconditional, legal, valid and binding obligations of the Borrower which are enforceable against the Borrower in accordance with their respective terms.

This legal opinion is limited to the laws of the Republic of Serbia.

                    ,           

(Place) (Date)

*[Signature]*

Name:

Enclosures:

**Note: Please attach certified photocopies of the documents and legal provisions referred to above (with respect to lengthy laws or the Constitution of the Republic of Serbia, a copy of the relevant provisions would be sufficient) and also provide KfW with an official English or German translation of each of the above documents unless such document is issued in English or German as an official language or unless KfW has indicated that another language is satisfactory.**

# Confirmation letter from KfW regarding the German Government Guarantee

Financial Cooperation between the Republic of Serbia and the Federal Republic of Germany

Programme:

Guarantee of the Federal Republic of Germany for the Loan

Dear Sirs,

We herewith confirm that we have received the Guarantee of the Federal Republic of Germany for the Loan as stipulated in the Loan Agreement dated \_\_\_\_\_\_\_\_\_\_\_ for the Programme: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Yours sincerely,

KfW

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

# Information concerning Article 14.10

[*Insert address MoF*]

Financial Cooperation between the Republic of Serbia and the Federal Republic of Germany

Loan Agreement (Loan ID: 31812) amounting to EUR 135 million Euros between KfW and the Republic of Serbia for the Programme: “\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_” (BMZ-No. 525000880), signed on \_\_\_\_\_\_ 20\_\_ (the “Loan Agreement”)

Dear Madam or Sir,

Reference is made to the Loan Agreement and your request to receive a confirmation from KfW regarding the entry into force of the Loan Agreement.

We herewith would like to confirm receipt of your confirmation on ratification dated \_\_\_\_\_\_\_\_\_\_\_\_ in accordance with Article 14.10 b) of the Loan Agreement.

To our positive knowledge, the requirements for the entry into force of the Agreement as set out in Article 14.10 of the Loan Agreement have been fulfilled on \_\_\_\_\_\_\_\_\_\_\_\_.

Therefore, the payment of the management fee is due and payable on [*insert date*].

The confirmation is given on the date of its signing and the statements above shall not constitute a legal opinion nor legal advice in relation to German law or any other applicable law and do not limit or replace the fulfillment of the disbursement requirements as further specified in the Loan Agreement.

Yours sincerely,

KfW

# Annex 5 Specimen Application for Interest Change

KfW

Postfach 11 11 41

60046 Frankfurt am Main

Federal Republic of Germany

**Application for Interest Change**

Brief Programme description:

Date of the Loan Agreement:

Loan amount:

In accordance with Article 4.1 c) ii) (*Notification of KfW*) of the Loan Agreement we request you to change the interest rate for the Loan specified above from the Variable Interest Rate to a Fixed Interest Rate from the Date of Effectiveness                , which is a Payment Date pursuant to Article 4.3 (*Payment Dates*) of the Loan Agreement.

                    ,

(Place) (Date)

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(Signature of Borrower)

# Annex 6 Compliance Covenants Borrower

1. **DEFINITIONS**

**Coercive Practice**: the impairing or harming, or threatening to impair or harm, directly or indirectly, any person or the property of the person with a view to influence improperly the actions of a person.

**Collusive Practice**: an arrangement between two or more persons designed to achieve an improper purpose, including to influence improperly the actions of another person.

**Corrupt Practice**: the promising, offering, giving, making, insisting on, receiving, accepting or soliciting, directly or indirectly, of any illegal payment or undue advantage of any nature, to or by any person, with the intention of influencing the actions of any person or causing any person to refrain from any action.

**Fraudulent Practice**: any action or omission, including misrepresentation that knowingly or recklessly misleads, or attempts to mislead, a person to obtain a financial benefit or to avoid an obligation.

**EU List**: EU list of non-cooperative tax jurisdictions as defined and updated from time to time by the EU Commission including the associated Annex I and Annex II (for further details please see https://www.consilium.europa.eu/de/policies/eu-list-of-non-cooperative-jurisdictions). Annex I includes jurisdictions that are classified as non-cooperative and Annex II includes further jurisdictions (‘Annex II Jurisdictions’ or ‘Committed Jurisdictions’) that have taken sufficient commitments to address their identified deficiencies and as such have not been considered as non-cooperative for the time being.

**Obstructive Practice**: (i) deliberately destroying, falsifying, altering or concealing evidence material to the investigation or the making of false statements to investigators, in order to materially impede an official investigation into allegations of a Corrupt Practice, Fraudulent Practice, Coercive Practice or Collusive Practice, or threatening, harassing or intimidating any person to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or (ii) any act intended to materially impede the exercise of KfW's access to contractually required information in connection with an official investigation into allegations of a Corrupt Practice, Fraudulent Practice, Coercive Practice or Collusive Practice.

**Person**: any natural person, legal entity, partnership or unincorporated association.

**Sanctionable Practice**: any Coercive Practice, Collusive Practice, Corrupt Practice, Fraudulent Practice or Obstructive Practice (as such terms are defined herein), which (i) is unlawful under German or other applicable law, and (ii) which has, or potentially could have, a material legal or reputational effect on this Agreement between the Borrower and KfW or its implementation.

**Sanctions**: the economic, financial or trade (including goods, technologies or services and financial assistance in connection therewith) sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by any Sanctioning Body

**Sanctioning Body**: any of the United Nations Security Council, the European Union and the Federal Republic of Germany.

**Sanctions List**: any list of specially designated persons, groups or entities which are subject to Sanctions, as issued by any Sanctioning Body.

**Tax Avoidance Practice**: any act of taking advantage of the technicalities of a tax system and/or jurisdiction or of mismatches between two or more tax systems and/or jurisdictions without any sound business reasons except for the sole purpose of reducing tax liability.

1. **INFORMATION UNDERTAKING**

The Borrower shall

1. promptly make available to KfW on demand all relevant "know your customer" or similar information about the Borrower as KfW may request;
2. promptly furnish to KfW on demand all Programme-related information and documents of the Borrower and its (sub)contracting and other related parties which KfW requires to fulfil its obligations to prevent any Sanctionable Practice, money laundering and/or terrorism financing as well as for the continuous monitoring of the business relationship with the Borrower which is necessary for this purpose;
3. inform KfW, promptly and of its own accord, as soon as it becomes aware of or suspects any Sanctionable Practice, act of money laundering and/or terrorism financing related to the Programme;
4. furnish to KfW any and all such information and reports on the Programme and its further progress as KfW may request for the purposes of this Annex;
5. enable KfW and its agents at any time to inspect all other Programme-related documentation of the Borrower and its (sub)contracting and other related parties, and to visit the Programme and all installations related thereto for the purposes of this Annex;
6. inform KfW, promptly and of its own accord, in case the Borrower intends to allocate funds provided by KfW to (sub)contracting and / or other related parties, which are located and/or registered in any country listed in non cooperative jurisdictions as of EU List Annex I; and
7. inform KfW, promptly and of its own accord, as soon as it becomes aware of or suspects any Tax Avoidance Practice related to the Programme.
8. **REPRESENTATION AND WARRANTY**
   1. With regard to German law or the law of the country of the Borrower, the Borrower represents and warrants that none of the Persons acting in relation to the Programme on the Borrower’s behalf has committed or is engaged in any Sanctionable Practice, money laundering ,financing of terrorism or any Tax Avoidance Practice.
   2. The representation and warranty set forth in this Article is made for the first time by execution of this Agreement. It will be deemed to be repeated upon each drawing of the Loan and on each interest payment date, in each case by reference to the circumstances prevailing at that date.
9. **POSITIVE UNDERTAKINGS**

The Borrower undertakes, as soon as the Borrower or KfW becomes aware of or suspects any Sanctionable Practice, act of money laundering, financing of terrorism or any Tax Avoidance Practice, to fully cooperate with KfW and its agents, in determining whether such compliance incident has occurred. In particular, the Borrower shall respond promptly and in reasonable detail to any notice from KfW and shall furnish documentary support for such response upon KfW's request.

1. **NEGATIVE UNDERTAKINGS**

The Borrower undertakes

1. to ensure that in relation to the Programme its activities will not give rise to any Sanctionable Practice, money laundering or financing of terrorism;
2. not to enter into any transactions or engage directly or indirectly in any other activities in relation to the Programme that would constitute a breach of Sanctions; and
3. not to allocate funds provided by KfW to any Person located and/or registered in any jurisdiction maintained in Annex I of the EU List without prior consent of KfW and will not engage in any other activity that would constitute a Tax Avoidance Practice.

# Annex 7 Programme Design

## Programme Design

### *Details of the Programme*

The Programme concerns a Policy Based Loan (PBL) to support reforms in the energy and environmental sectors and to contribute to the promotion of renewable energies, energy efficiency, decarbonisation and environmental protection measures as well as to a transparent and climate-oriented budget policy, hence to Serbia’s green transition. The programme covers objectives, policy reforms, actions and triggers as described in the Policy and Results Matrix agreed upon with the World Bank (“WB”), Agence Française de Développement (“AFD”) and KfW (together, the “Group of International Financing Institutions”) as set out in Annex 8 of the Loan Agreement.

The Programme is designed to contribute to the adoption of the EU acquis communautaire in the areas of energy, environment and climate in order to pave the way towards EU alignment and accession, as well as the contractual obligations that Serbia has entered into as part of its full membership in the European Energy Community (EnC).

The Programme contributes to the modernisation of Serbia's energy and environmental sectors and promotes the climate-smart fiscal policy. With regard to the energy sector the focus is on securing a stable, sustainable and environmentally friendly energy supply throughout the country. As part of the energy sector reform, energy efficiency and the expansion of renewable energies are to be promoted through the introduction of suitable regulations and laws. In the area of environment and climate protection, legal and strategic framework conditions are being created that should enable strong progress towards a circular economy, improvement of air quality and implementation of concrete measures on climate change.

### *Time Schedule*

The Programme comprises two phases, one in relation to the year 2022 (“Phase I”) and the other in relation to the year 2023 (“Phase II”). The Loan refers to Phase II.

### *Total Cost and Financing*

The Loan amount provided by KfW for Phase II of the Programme is EUR 135 million. AFD will provide a loan in the amount of EUR 135 million, while the WB, as lead donor, will provide a slightly higher share of financing of up to USD 160 million.

### *Changes in the Programme Design*

Any major changes in the Programme design (as set out above) shall require the prior consent of the Group of International Financing Instutions. The Borrower shall inform KfW thereof immediately, stating the reasons, the planned measures and the consequences of the change. Execution of such measures may commence only on the basis of revised planning and upon KfW's written consent.

## Programme Implementation

2.1 *Responsibilities and Time, Cost and Financing Schedule*

Implementation Arrangements

1. the Borrower established that the Ministry of Mining and Energy (MoME) and the Ministry of Environmental Protection (MoEP) (“Programm Implementers”) are respectively responsible for the overall coordination of the Pillar 2 (Energy) and Pillar 3 (Environment and Climate) of the Programme and shall closely collaborate with other relevant stakeholders to implement the prior actions / triggers as defined in the Policy and Results Matrix for these Pillars;
2. KfW has engaged consultants on behalf of the MoME and the MoEP to support the Borrower during the preparation of the Programme (“DPO Consultants”). The DPO Consultants may support the Programme Implementers with respect to Pillar 2 (Energy) and Pillar 3 (Environment and Climate) in
   1. (Policy and Results Matrix) supporting the ministries in negotiations with funding donors on the respective pillar of the Policy and Results Matrix;
   2. (Progress report) reporting on the progress of the reform measures and technical assistance, provided by different funding sources, to the Working Groups and general assistance to these groups;
   3. (European Union and Energy Community) advising on the relevant formal processes to achieve the EU acquis communautaire (in particular Chapter 15 Energy and Chapter 27 Environment and Climate) and the reform requirements and recommendations of the Energy Community (EnC);
   4. (Research) preparing of studies, analyses and decision papers;
   5. (Social & Environment) If needed, preparing analysis of the climate, environmental and social risks and impacts of the reform measures in addition to the environmental assessment of the lead donor (WB);
   6. (Pillar 1) reporting on the Public Financial Management System, especially in the areas of public administration, the fight against corruption and the reforms of state-owned enterprises, in the context of the reform progress of Pillar 1 of the Policy and Results Matrix;
   7. (Public consultation) advising on government public consultation processes in preparation for reform implementation. Supply of programme information for stakeholders an the public and web-based knowledge management.
3. the Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Programme are conducted and coordinated in accordance with sound administrative policies and procedures.

Policy and Results Matrix and Dialogue

1. the Borrower shall ensure that all prior actions and triggers adopted and as defined in the Policy and Results Matrix continue to be in effect for the duration of the Programme;
2. the Borrower shall keep KfW (the same as AFD and WB) informed of policy discussions with other multilateral and bilateral aid agencies that may have implications for the implementation of the Programme and provide KfW with an opportunity to comment on any resulting policy proposals.

### *Environmental, Social, Health & Safety Compliance Undertakings*.

### Terms used in this Article are defined in Appendix A - ESHS Definitions of this Annex.

1. the Borrower shall at all times carry out its business and operations in compliance with all applicable national environmental, occupational health & safety and social laws and regulations, the Core Labour Standards of the International Labour Organization as set out in the ILO Declaration on Fundamental Principles and Rights at Work from 1998 and the Basic Terms and Conditions of Employment as well as KfW environmental and social standards;
2. to avoid, mitigate and/or manage any significant negative effects on Serbia’s environment and population, the Borrower shall ensure that measures and actions addressing environmental and social risks and impacts identified in the Environmental and Social Impact Assessment of the lead donor and KfW will be considered diligently in the development of the Policy and Results Matrix and performance indicators of any future phases of the Programme;
3. the implementation of the respective measures and actions resulting from the Environmental and Social Impact Assessment of the lead donor and KfW shall be monitored by the Borrower and reported to KfW;
4. the Borrower will publicly disclose relevant information in the context of the Programme and have meaningful consultations with national stakeholders and the general public (where applicable) in order to allow them to understand the risks and opportunities of the Programme as well as to incorporate their feedback into future policy frameworks and performance indicators. In addition, the Borrower shall ensure a publicly available mechanism for general inquiries and for the submission of suggestions or complaints from interested stakeholders and persons affected by the Programme implementation;
5. the Borrower shall notify KfW immediately of any events related to the Programme activities which have resulted in negative media, non-governmental organizations or other attention and reports, legal proceedings, large-scale incidents or potential liabilities. Further, the Borrower shall develop and asses corrective measures and manage the impacts of these events, and communicate remedial measures to KfW;
6. the Borrower shall ensure that no Programme funds are used for expenditures for items listed in Appendix B (*Exclusion List for Financing*).

## Reporting and Other Provisions

### *Reporting*

1. KfW together with AFD, the WB and the Borrower may carry out reviews of the Programme implementation (“Progress Reports”). The reviews may be based on reports of the DPO Consultants and information from the ministries involved, as well as other relevant sources of information. The Borrower ensures that he will provide all information required by KfW or the DPO Consultants to assure a proper monitoring of the Programme implementation;
2. in addition to requirements stated in paragraph 3.1a), the Borrower shall report on all circumstances that might jeopardize the achievement of the overall objective, the Programme purpose and the results;
3. after completion of the Programme, the Borrower shall report on its further development. KfW shall in due course inform the Borrower about the end of the reporting period.

*3.*2 *Other Provisions*

The Borrower shall send KfW all such documents as are necessary for KfW to give the comments and approvals mentioned above early enough to allow reasonable time for examination.

## *Appendix A - ESHS Definitions*

**E&S Environmental and Social**

**E&S Instruments** means all environmental and social assessments, studies and plans that are required to assess and manage the impacts and risks of a programme or program such as ESIA, Environmental and Social Audit, ESMP, ESMF, SEP, etc.

**Environmental and Social Audit** determines the nature and extent of all environmental and social areas of concern with respect to a certain activity or programme. The audit identifies appropriate measures to mitigate such areas of concern, estimates their costs, and recommends a schedule for implementing them.

**ESHS Environmental, Social, Health & Safety**

**ESIA Environmental and Social Impact Assessment** means an E&S Instrument used to assess the potential environmental and social impacts of a proposed programme, evaluate alternatives, and design appropriate mitigation, management, and monitoring measures.

**ESMF Environmental and Social Management Framework** means an E&S Instrument that sets out the modalities to be followed in assessing the potential adverse environmental and social impacts associated with activities to be implemented under a program and the measures to be taken to eliminate, reduce, mitigate or offset these impacts, considering the requirements of national law and the applicable international standards. An ESMF must be developed if a program consists of multiple subprojects or multiple components, if its design or its exact locations are not yet determined.

**ESMP Environmental and Social Management Plan** means an E&S Instrument that details (a) the measures to be taken during construction, implementation, and operation of a programme or program to eliminate or offset adverse environmental and social impacts, or to reduce them to acceptable levels; and (b) the actions needed to implement these measures.

**ILO** means **International Labor Organization**, the tripartite United Nations agency which brings together governments, employers, and workers of its member states in common action to promote decent work throughout the world.

**ILO Fundamental Conventions** means the conventions of the ILO on child labor (conventions numbered C138 and C182), forced labor (conventions numbered C029 and C105), discrimination (conventions numbered C100 and C111) and freedom of association and collective bargaining (conventions numbered C087 and C098), occupational health and safety (C155 and C187), stemming from the ILO Declaration on Fundamental Principles and Rights at Work, adopted in 1998.

**SEP Stakeholder Engagement Plan,** means an E&S Instrument that provides a working plan for public participation, identifies the Stakeholders of a programme or program, the procedures relating to the participation process and a timetable, considering the requirements of national law and the applicable international standards.

## *Appendix B – Exclusion List for Financing*

# I. Exclusions

In the following areas KfW Group does not offer financing for new programmes or purposes: \*

* 1. Production or trade in any product or activity subject to national or international phase-out or prohibition regulations or to an international ban, for example
     1. certain pharmaceuticals, pesticides, herbicides and other toxic substances (under the

Rotterdam Convention, Stockholm Convention and WHO "Pharmaceuticals: Restrictions in Use and Availability"),

* + 1. ozone depleting substances (under the Montreal Protocol),
    2. protected wildlife or wildlife products (under CITES / Washington Convention)
    3. prohibited transboundary trade in waste (under the Basel Convention).
  1. Investments which could be associated with the destruction \*\* or significant impairment of areas particularly worthy of protection (without adequate compensation in accordance with international standards).
  2. Production or trade in controversial weapons or critical components thereof (nuclear weapons and radioactive ammunition, biological and chemical weapons of mass destruction, cluster bombs, anti - personnel mines, enriched uranium).
  3. Production or trade in radioactive material. This does not apply to the procurement of medical equipment, quality control equipment or other application for which the radioactive source is insignificant and/or adequately shielded.
  4. Production or trade in unbound asbestos. This does not apply to the purchase or use of cement linings with bound asbestos and an asbestos content of less than 20%.
  5. Destructive fishing methods or drift net fishing in the marine environment using nets in excess of 2.5 km.
  6. Nuclear power plants (apart from measures that reduce environmental hazards of existing assets) and mines with uranium as an essential source of extraction.
  7. Prospection, exploration and mining of coal; land-based means of transport and related infrastructure essentially used for coal; power plants, heating stations and cogeneration facilities essentially fired with coal, as well as associated stub lines. \*\*\*
  8. Non-conventional prospection, exploration and extraction of oil from bituminous shale, tar sands or oil sands.

# II. Supplementary Requirements

In selected sectors, KfW Group ties its direct financial commitment for concrete new programmes to the following qualitative conditions: \*

1. Outside the EU and the OECD high income countries, large agricultural or forestry enterprises producing palm oil or wood must either comply with recognised international certification systems (RSPO or FSC) or equivalent regulations to ensure sustainable cultivation conditions, or must be in the process of achieving compliance.
2. Large dam and hydropower programmes use the recommendations of the World Commission on Dams (WCD) as orientation. \*\*\*\*
3. Programmes for non-conventional prospection, exploration and extraction of gas will disclose in accordance with international standards,

* that no material groundwater drawdown or contamination is to be expected,
* that measures for resource protection (in particular water) and recycling are taken,
* that suitable technology is used for safe drilling, which includes integrated bore piping and pressure testing.

\* Deviations can result from mandated transactions (Zuweisungsgeschäft) in accordance with § 2 (4) of the Law Concerning KfW, or from instructions of the relevant federal ministries.

\*\* "Destruction" means (i) the destruction or severe deterioration of the integrity of an area caused by a major and prolonged change in the use of land or water, or (ii) the alteration of a habitat which leads to the inability of the affected area to perform its function.

\*\*\* Investments in power transmission grids with significant coal-based power feed-in will only be pursued in countries and regions with an ambitious national climate protection policy or strategy (NDC), or where the investments are targeted at reducing the share of coal- based power in the relevant grid.

In developing countries, heating stations and cogeneration facilities (CHP) essentially fired with coal can be co-financed in individual cases based on a rigid assessment, if there is a particularly high sustainability contribution, major environmental hazards are reduced, and if there demonstrably is no more climate-friendly alternative.

\*\*\*\* Dams with a height of at least 15 meters measured from the foundation or dams with a height between 5 and 15 meters with a reservoir volume of more than 3 million cubic meters.

# Annex 8 Policy and Results Matrix

| **Prior actions for DPL 1 and DPL 2** | | **Results** | | |
| --- | --- | --- | --- | --- |
| **Prior Actions under DPL 1** | **Prior Actions under 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 Official Gazette No 94/2024, dated November 28, 2024. | **Results Indicator #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 Indicator #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 Plants, 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 power company “Elektroprivreda Srbije” into a joint-stock company as evidenced by Government Decision 05 No.023-3090/2023, dated April 6, 2023, duly published in Borrower’s Official Gazette no. 27/23, 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. | 1. No (2021) 2. 0 (2021) | 1. Yes (2025) 2. 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) | 1. 40% (2025) 2. Yes (2025) 3. 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) |

# Annex 9 Variable Rate Definitions

In this Agreement:

**Compounded €STR Adjustment Spread**: in relation to a certain tenor or term, the percentage rate per annum which corresponds to the historical difference between the Compounded €STR (Observation Shift) Calculated Daily Rate of such term or tenor and EURIBOR of such term or tenor, as such differential spread is

1. legally prescribed or enacted or formally designated, nominated or recommended by any Relevant Nominating Body; or
2. if (a) does not apply, calculated by Bloomberg Index Services Limited (or other Bloomberg company or any successor thereof) in accordance with the ISDA IBOR Fallback Rate Adjustments Rule Book and published on the relevant Bloomberg (or successor) page which corresponds to the relevant term for EURIBOR, in particular the following Bloomberg pages:
   1. in respect of 1 week EURIBOR: page YEUR001W Index;
   2. in respect of 1 month EURIBOR: page YEUR001M Index;
   3. in respect of 3 month EURIBOR: page YEUR003M Index;
   4. in respect of 6 month EURIBOR: page YEUR006M Index; and
   5. in respect of 12 month EURIBOR: page YEUR01Y Index; or
3. if neither (a) nor (b) apply, determined and calculated by KfW in accordance with the formulas and calculation rules prescribed or referred to under (a) and (b) above or otherwise in accordance with market practice;

provided that (i) the date for determining the Compounded €STR Adjustment Spread is the Reference Rate Determination Date in relation to a Compounded €STR (Observation Shift) Calculated Daily Rate on which date a Compounded €STR (Observation Shift) Calculated Daily Rate became applicable for the relevant Interest Period in accordance with the provisions of this Agreement for the first time and (ii) the Compounded €STR Adjustment Spread will be determined on the basis of the latest rates available on such Reference Rate Determination Date for the relevant tenors or terms and shall apply for all following Interest Periods and (iii) if none of the terms or tenors designated by the Relevant Nominating Body under (a) above or quoted by Bloomberg (or any replacement thereof) under (b) above are at the relevant date equal in length to the term or tenor required for the relevant Interest Period, the Compounded €STR Adjustment Spread will be calculated by way of interpolation between the quotations for the next shorter and next longer terms or tenors available.

**Compounded €STR (Observation Shift) Calculated Daily Rate**: the percentage rate per annum calculated by KfW (rounded if necessary to five decimal places; starting with 0.000005 it will be rounded upwards) which results from the formula set out below:

where:

is, for any Observation Period, the number of TARGET Days in that Observation Period.

is the number of calendar days in that Observation Period.

*i* is a series of whole numbers from 1 (one) to db, each representing the relevant TARGET Day in chronological order from, and including, the first TARGET Day in the relevant Observation Period.

is the €STR Daily Rate applicable on TARGET Day "i" in the relevant Observation Period, as published on the TARGET Day immediately after TARGET Day "i".

is, for any TARGET Day "i" in the relevant Observation Period, the number of calendar days for which rate ri applies, being the number of calendar days from (and including) such TARGET Day "i" to (but excluding) the following TARGET Day, irrespective of whether that following TARGET Day is included in the Observation Period. (Therefore, on most days, ni will be 1, but on a Friday it will generally be 3, and it will also be greater than 1 on the TARGET Day before a holiday).

**ECB Eurosystem Deposit Facility Rate (EDFR)**: the rate on the deposit facility which banks in the euro area may use to make overnight deposits with the eurosystem as published on the European Central Bank’s website (currently published on: <https://www.ecb.europa.eu/stats/policy_and_exchange_rates/key_ecb_interest_rates/html/index.en.html>).

**EDFR Adjustment Spread**: the arithmetic mean (calculated by KfW) of the daily difference between €STR and the ECB Eurosystem Deposit Facility Rate (EDFR) over an observation period of the thirty (30) most immediately preceding Banking Days for which €STR was Available; provided that if such arithmetic mean is less than zero, the EDFR Adjustment Spread shall be deemed to be zero.

**€STR**: the euro short term rate (€STR) that reflects the wholesale euro unsecured overnight borrowing costs of euro area banks administered by the European Central Bank (or any other person which takes over the administration of that rate) available by 09:00 a.m. CET on each TARGET Day, and published [(before any correction, recalculation or republication by the administrator)] by the European Central Bank (or any other person which takes over the publication of that rate) on the ECB’s website, via the ECB’s Market Information Dissemination (MID) platform and the ECB’s Statistical Data Warehouse.

**€STR Daily Rate**: in relation to any TARGET Day:

1. the €STR for that TARGET Day; or
2. if €STR is Unavailable for that TARGET Day, the percentage rate per annum which is the aggregate of:
   1. the ECB Eurosystem Deposit Facility Rate (EDFR) for that TARGET Day; and
   2. the applicable EDFR Adjustment Spread.

If necessary, the rate will be rounded to five decimal places. Starting with 0.000005 it will be rounded upwards.

**EURIBOR:** for the relevant Interest Period (in each case rounded upwards, if necessary, to 1/16 of the percentage point)

* 1. the percentage rate per annum quoted on Thomson Reuters´ page EURIBOR= or, if this page does not have the required details or is not accessible, on Bloomberg page EBF (or on a successor page which replaces Thomson Reuters´ page EURIBOR= or Bloomberg page EBF) at or about 11:00 a.m. Brussels time on the relevant Reference Rate Determination Date as the EURIBOR rate for euro term deposits in Euros on the European interbank market for a period equal in length to that Interest Period; or
  2. if none of the periods published by Thomson Reuters´ or Bloomberg are equal in length to that Interest Period, the EURIBOR reference rate published for the next longer period; or
  3. if none of the EURIBOR screen rates under (i) and (ii) above are published on the relevant Reference Rate Determination Date and it is therefore not possible for KfW to determine EURIBOR on the basis of (i) and (ii) above and any such screen rates were published or otherwise available for any TARGET Day within the last five (5) TARGET Days before the relevant Reference Rate Determination Date, the relevant EURIBOR for such Interest Period as determined and/or calculated by KfW by applying the most recent screen rate(s) available,

and, for the avoidance of doubt, any rate so determined or calculated shall be deemed to be Available.

**Lag Time**: means the time period as stipulated under Article 4.1 a) a)(iii) (*Compounded €STR Observation Shift*).

**Observation Period**: means, in relation to an Interest Period, the time period the beginning of which and the end of which is in each case determined by applying the Lag Time prior to the beginning and the end of the relevant Interest Period respectively (including the first day, but excluding the last day of such time period).

**Reference Rate**: means EURIBOR, Term €STR, the Compounded €STR (Observation Shift) Calculated Daily Rate and any other reference interest rate selected by KfW in consultation with the Borrower.

**Reference Rate Determination Date**: means, in relation to an Interest Period for which a variable interest rate is to be determined:

1. if the Reference Rate is EURIBOR, the second Banking Day before the first day of that Interest Period;
2. if the Reference Rate is Term €STR, the second Banking Day before the first day of that Interest Period;
3. if the Reference Rate is the Compounded €STR (Observation Shift) Calculated Daily Rate, the TARGET Day immediately following the last day of the Observation Period relating to the relevant Interest Period,

provided that, if market practice differs or changes in the relevant market with respect to any of the Reference Rates, the Reference Rate Determination Date for such Reference Rate will be determined by KfW in accordance with the market practice applicable in the relevant market and notified to the Borrower by way of an Technical Adjustment Notification.

**Reference Rate Non-Utilisation Event**: means any of the following events in relation to a Reference Rate:

1. Unavailability. The Reference Rate is Unavailable; or
2. Non-representativeness. The later of (i) one (1) month and (ii) the future date specified in the relevant official statement has passed since the supervisor of the administrator of a Reference Rate has published an official statement that the relevant Reference Rate is no longer or, as of a specified future date will no longer be, representative of the underlying market or the economic reality that it is intended to measure and that such representativeness will not be restored (as determined by such supervisor) and such official statement expresses awareness that any such announcement or publication will engage certain contractual triggers that are activated by pre-cessation or cessation announcements or publications;

and such Reference Rate Non-Utilisation Event is continuing on a Reference Rate Determination Date if on such date

1. in relation to (a) above, the Reference Rate remains Unavailable; and
2. in relation to (b) above, the supervisor has not revoked or rescinded its official statement or has in any other way re-confirmed the representativeness of the relevant Reference Rate.

**Relevant Nominating Body**: means any applicable legislator, regulator or other supervisory or competent administrative authority or a group of them, or any working group or committee sponsored or chaired by, or constituted at the request of, any of them or the Financial Stability Board.

**TARGET Day**: any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET) is open for payments.

**Technical Adjustment Notification:** has the meaning ascribed to such term in Article 4.1 a) (v) (*Interest Calculation Adjustments*).

**Term €STR**: for the relevant Interest Period, the publicly available percentage rate per annum (before any correction, recalculation or republication by its administrator and rounded if necessary to five decimal places; starting with 0.000005 it will be rounded upwards) which is:

1. a forward-looking term rate based on €STR;
2. produced by an administrator;
3. constituted as a term adjusted €STR reference rate for a period equal in length to the Interest Period and uses a term adjustment methodology approved by the relevant supervisory authority of the administrator;
4. available on the relevant Reference Rate Determination Date; and
5. specified as the "Term €STR" for this Agreement by KfW in an Technical Adjustment Notification;

as such rate is quoted in the European wholesale market on the relevant Reference Rate Determination Date for the same period as the relevant Interest Period or, if none of the periods available are the same as that Interest Period, interpolating, where appropriate, between the yield quotations for the next shorter and next longer maturities; provided that if no such Term €STR rates are published or provided on the relevant Reference Rate Determination Date and it is therefore not possible for KfW to determine the relevant Term €STR on the basis of this paragraph, but any such rates were published or were otherwise available for any TARGET Day within the last five (5) TARGET Days before the relevant Reference Rate Determination Date, KfW will use the relevant most recent rate(s) available for determining and/or calculating (e.g. by way of interpolation) the relevant Term €STR for the relevant Interest Period and Term €STR shall be deemed to be Available.

**Term €STR Adjustment Spread**: in relation to a certain tenor or term, the percentage rate per annum which corresponds to the difference between Term €STR of such term or tenor and EURIBOR of such term or tenor, as such differential spread is

1. legally prescribed or enacted or formally designated, nominated or recommended by any Relevant Nominating Body; or
2. if (a) does not apply, calculated and published by Bloomberg Index Services Limited (or any other administrator or calculation agent) in accordance with ISDA rules or other market practice; or
3. if neither (a) nor (b) apply, determined and/or calculated by KfW in accordance with market practice,

provided that (i) the date for determining the Term €STR Adjustment Spread is the Reference Rate Determination Date in relation to Term €STR on which date Term €STR became applicable for the relevant Interest Period in accordance with the provisions of this Agreement for the first time and (ii) the Term €STR Adjustment Spread will be determined on the basis of the latest rates available on such Reference Rate Determination Date for the relevant tenors or terms and shall apply for all following Interest Periods and (iii) if none of the terms or tenors designated by the Relevant Nominating Body under (a) above or quoted by Bloomberg (or any replacement thereof) under (b) above are at the relevant date equal in length to the term or tenor required for the relevant Interest Period, the Term €STR Adjustment Spread will be calculated by way of interpolation between the quotations for the next shorter and next longer terms or tenors available.

**Unavailability/Availability** of a Reference Rate: A Reference Rate is **"Unavailable"** if:

1. Factual. no screen rate(s) of the relevant Reference Rate is or are published or are in any other way provided by the administrator of such Reference Rate on the relevant Reference Rate Determination Date or for the relevant Observation Period and no other means exist or calculations are possible for KfW (including by way of interpolation) to determine the relevant Reference Rate on its Reference Rate Determination Date;
2. Legal. it is prohibited or in any other way unlawful for KfW or the Borrower the use such Reference Rate under this Agreement, in particular for calculating or paying interest;
3. Identity change. the methodology, economic characteristics or formulas for calculating the Reference Rate have materially changed; provided that as long as the underlying interest or market or economic reality that the Reference Rate is intended to measure remains unchanged, any change in formulas, economic characteristics or other methodology is not considered material; or
4. Other. the relevant Reference Rate may, for any other reason in the reasonable opinion of KfW, no longer be used for the purposes of this Agreement,

and, correspondingly, such Reference Rate is **"Available"** if it is not Unavailable.