ПРЕДЛОГ ЗАКОНА

О ПОТВРЂИВАЊУ УГОВОРА О ЗАЈМУ (ПРОЈЕКАТ ИЗГРАДЊЕ ШИРОКОПОЈАСНЕ КОМУНИКАЦИОНЕ ИНФРАСТРУКТУРЕ У РУРАЛНИМ ПРЕДЕЛИМА) ИЗМЕЂУ РЕПУБЛИКЕ СРБИЈЕ И ЕВРОПСКЕ БАНКЕ ЗА ОБНОВУ И РАЗВОЈ

Члан 1.

Потврђује се Уговор о зајму (Пројекат изградње широкопојасне комуникационе инфраструктуре у руралним пределима) између Републике Србије и Европске банке за обнову и развој, који је потписан у Београду, 30. децембра 2020. године, у оригиналу на енглеском језику.

Члан 2.

Текст Уговора о зајму (Пројекат изградње широкопојасне комуникационе инфраструктуре у руралним пределима) између Републике Србије и Европске банке за обнову и развој, у оригиналу на енглеском и преводу на српски језик гласи:

(OPID 51835)

**LOAN AGREEMENT**

**RURAL BROADBAND ROLLOUT PROJECT**

between

**REPUBLIC OF SERBIA**

and

**EUROPEAN BANK**

**FOR RECONSTRUCTION AND DEVELOPMENT**

Dated 30 December 2020

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LOAN AGREEMENT

**AGREEMENT** dated 30 December 2020 between **REPUBLIC OF SERBIA represented by the Government of the Republic of Serbia (**the "Borrower") represented by the Minister of Finance and **EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT** (the "Bank").

**PREAMBLE**

**WHEREAS,** the Bank has been established to provide financing for specific projects to foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiative in certain countries committed to and applying the principles of multiparty democracy, pluralism and market economics;

**WHEREAS,** the Borrower intends to implement the Rural Broadband Rollout Project as described in Schedule 1 (the “Project”) which is designed to assist the Borrower in the design and construction of mid-mile and last-mile fibre broadband infrastructure in zones without access to broadband network in rural areas in the Republic of Serbia, and which will connect at least 500 rural primary and secondary schools and public institutions and the surrounding 80,000 households in the surrounding catchment areas respectively;

**WHEREAS,** the Borrower has requested assistance from the Bank in financing part of the Project;

**WHEREAS,** it has been approved to make available technical cooperation funds under the Western Balkans Investment Framework on a grant basis in an aggregate amount of EUR 1,700,000 (one million seven hundred thousand Euros) (the “Grant”) to assist the Borrower in designing the Project; subject to the terms and conditions to be set forth in the Grant Agreement; and

**WHEREAS,** the Bank has agreed on the basis of, *inter alia*, the foregoing to make a loan to the Borrower in the amount of EUR 18,000,000 (eighteen million Euros) (the “Loan”), subject to the terms and conditions set forth or referred to in this Agreement.

**NOW, THEREFORE,** the parties hereby agree as follows:

# ARTICLE I - STANDARD TERMS AND CONDITIONS; DEFINITIONS

## Section 1.01. Incorporation of Standard Terms and Conditions

All of the provisions of the Bank's Standard Terms and Conditions dated 1 October 2018 are hereby incorporated into and made applicable to this Agreement with the same force and effect as if they were fully set forth herein (such provisions are hereinafter called the "Standard Terms and Conditions").

## Section 1.02. Definitions

Wherever used in this Agreement (including the Preamble and Schedules), unless stated otherwise or the context otherwise requires, the terms defined in the Preamble have the respective meanings given to them therein, the terms defined in the Standard Terms and Conditions have the respective meanings given to them therein and the following terms have the following meanings:

"Authorisation" means any consent, registration, filing, agreement, notarisation, certificate, license, approval, permit, authority or exemption from, by or with any Governmental Authority, whether given or withheld by express action or deemed given or withheld by failure to act within any specified time period and all corporate, creditors' and shareholders' approvals or consents.

"Borrower's Authorised

Representative" means the Minister of Finance of the Borrower or any other person duly authorised by the Borrower’s Government as may be notified in writing by the Borrower to the Bank from time to time.

"Designated Performance

Requirements" means Performance Requirements 1 through 8 and 10 (or, as the context may require, any one of such Performance Requirements) of the Performance Requirements dated April 2019 and related to the Bank’s Environmental and Social Policy dated April 2019.

"Enforcement Policy and

Procedures" means the Bank’s Enforcement Policy and Procedures dated 4 October 2017.

"Environmental and

Social Action Plan" means the plan of environmental and social mitigation and improvement measures dated 30 July 2020 a copy of which is attached hereto as Schedule 3, as such plan may be amended from time to time with the prior written consent of the Bank in accordance with Section 3.04(c).

"Environmental and

Social Law" means any applicable law in any relevant jurisdiction, concerning the protection of the environment, workers, communities or project affected people.

"Environmental and Social

Matter" means any matter that is the subject of any Environmental and Social Law, any Designated Performance Requirement or the Environmental and Social Action Plan.

"Fiscal Year" means the Borrower's fiscal year commencing on 1 January of each year.

"Governmental Authority" means the government of the Borrower, or of any political subdivision thereof, whether state, regional or local, and any agency, authority, branch, department, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government or any subdivision thereof (including any supra-national bodies), and all officials, agents and representatives of each of the foregoing.

“Grant Agreement” means the grant agreement to be entered into between the Borrower represented by the Minister of European Integration and National IPA Coordinator (NIPAC) and the Bank in relation to the Grant, which agreement will be in form and substance satisfactory to the Bank.

"Last Availability Date" means the last availability date specified in Section 2.02 (f).

“MoTTT” means the Borrower’s Ministry of Trade, Tourism and Telecommunication or any successor thereto, responsible for the implementation of the Project

"PIU" means the project implementation unit referred to in Section 3.02.

“Project Implementation

Plan” means the project implementation plan provided by the Borrower satisfactory in scope, substance and form to the Bank.

## Section 1.03. Interpretation

In this Agreement, a reference to a specified Article, Section or Schedule shall, except where stated otherwise in this Agreement, be construed as a reference to that specified Article or Section of, or Schedule to, this Agreement.

# ARTICLE II - PRINCIPAL TERMS OF THE LOAN

## Section 2.01. Amount and Currency

The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of EUR 18,000,000 (eighteen million Euros).

## Section 2.02. Other Financial Terms of the Loan

(a) The Minimum Drawdown Amount shall be EUR 100,000.

(b) The Minimum Prepayment Amount shall be EUR 1,000,000.

(c) The Minimum Cancellation Amount shall be EUR 1,000,000.

(d) The Interest Payment Dates shall be 22 June and 22 December of each year.

(e) (1) The Borrower shall repay the Loan in 24 equal (or as nearly equal as possible) semi-annual instalments on 22 June and 22 December of each year, with the first Loan Repayment Date being 22 December 2023 and the last Loan Repayment Date being 22 June 2035.

(2) Notwithstanding the foregoing, in the event that (i) the Borrower does not draw down the entire Loan amount prior to the first Loan Repayment Date specified in this Section 2.02.(e), and (ii) the Bank extends the Last Availability Date specified in Section 2.02.(f) below to a date which falls after such first Loan Repayment Date, then the amount of each drawdown made on or after the first Loan Repayment Date shall be allocated for repayment in equal amounts to the several Loan Repayment Dates which fall after the date of such drawdown (with the Bank adjusting the amounts so allocated as necessary so as to achieve whole numbers in each case). The Bank shall, from time to time, notify the Borrower of such allocations.

(f) The Last Availability Date shall be the third anniversary of the date of this Agreement, or such later date that the Bank may in its discretion establish and notify to the Borrower.

(g) The rate of the Commitment Charge shall be 0.5% per annum.

(h) The Loan is subject to a Variable Interest Rate. Notwithstanding the foregoing, the Borrower may, as an alternative to paying interest at a Variable Interest Rate on all or any portion of the Loan then outstanding, elect to pay interest at a Fixed Interest Rate on such portion of the Loan in accordance with Section 3.04(c) of the Standard Terms and Conditions.

## Section 2.03. Drawdowns

The Available Amount may be drawn down from time to time in accordance with the provisions of Schedule 2 to (1) finance expenditures made (or, if the Bank so agrees, to be made) in respect of the reasonable cost of goods, works and services required for the Project and (2) the Front-end Commission.

# ARTICLE III - EXECUTION OF THE PROJECT[[2]](#endnote-3)

## Section 3.01. Other Affirmative Project Covenants

In addition to the general undertakings set forth in Article IV of the Standard Terms and Conditions, the Borrower shall, unless the Bank otherwise agrees:

(a) Carry out the Project in accordance with the Project Implementation Plan and complete all phases of the Project prior to 31 December 2023 (including for the avoidance of doubt: i) construction of mid-mile broadband infrastructure, and ii) last-mile broadband deployment by telecommunication operators, the latter which will not be financed by the Loan but is a necessary component for the completion of the overall purpose of the Project) as will be set out further in the Project Implementation Plan and ensure adequate funding for the completion of the Project, as required;

(b) Obtain, maintain, renew and comply with all necessary licenses, approvals and registrations, including the acquisition of land rights and construction permits required for network deployment or any other segment of the Project, where applicable;

(c) Select telecom operators responsible for mid-mile operation and maintenance and last-mile deployment following an open, transparent, non-discriminatory and competitive tender process, in a manner satisfactory to the Bank and in compliance with applicable local law and regulations regarding state aid, all to be confirmed by an independent consultant appointed by the Bank; The MoTTT will prepare and propose to the Government of the Republic of Serbia to take all necessary and appropriate measures, including, inter alia, the adoption of a regulation which will enable the

MoTTT to implement the selection of telecom operators in accordance with this Agreement.

(d) Ensure that the telecom operators selected pursuant to (d) above provide open access to the mid-mile and last-mile infrastructure constructed under the Project to all telecom operators wishing to utilise the infrastructure for the provision of services, in a manner satisfactory to the Bank and in compliance with local law and state aid regulations, all to be confirmed by an independent consultant, appointed by the Bank; and

(f) Exempt from VAT and customs duties all goods, works and services (including consultancy services), procured for the purpose of the implementation of the Project and financed from the proceeds of the Loan, or provide for their reimbursement.

## Section 3.02. Project Implementation Unit

In order to coordinate, manage, monitor and evaluate all aspects of Project implementation, including the procurement of goods, works and services for the Project, the Borrower, acting by the MoTTT, shall, unless otherwise agreed with the Bank, establish and at all times during execution of the Project operate a project implementation unit with adequate resources and suitably qualified personnel, including personnel with procurement and finance expertise, under terms of reference acceptable to the Bank.

## Section 3.03. Procurement

For purposes of Section 4.03 of the Standard Terms and Conditions, the following provisions shall, except as the Bank otherwise agrees, govern procurement of goods, works and services required for the Project and to be financed out of the proceeds of the Loan:

(a) Goods, works and services (other than consultants' services which are included within Section 3.03(c)) shall be procured through open tendering and in accordance with Section 3.1 (d) and (e) above.

(b) For purposes of Section 3.03(a), the procedures for open tendering are set out in Section III of the EBRD Procurement Rules.

(c) Consultants to be employed by the Borrower to assist in carrying out the Project shall be selected in accordance with the procedures set out in Section V of the EBRD Procurement Rules.

(d) All contracts shall be subject to the review procedures set out in the EBRD Procurement Rules and shall be subject to prior review by the Bank.

## Section 3.04. Environmental and Social Compliance Covenants

Without limiting the generality of Sections 4.02(a), 4.04(a)(iii), and 5.02(c)(iii) of the Standard Terms and Conditions, and unless the Bank otherwise agrees:

(a) The Borrower, acting by the MoTTT shall, and shall cause any contractor to, carry out the Project in accordance with the Designated Performance Requirements.

(b) Without limiting the foregoing, the Borrower, acting by the MoTTT shall diligently implement and adhere to the Environmental and Social Action Plan and monitor the implementation of such plan in accordance with the monitoring provisions contained in such plan.

(c)The Borrower, acting by the MoTTT and the Bank may from time to time agree to amend the Environmental and Social Action Plan in response to changes in the circumstances of the Project or the Borrower, unforeseen events and the results of monitoring. Without limiting the generality of the foregoing,

1. if there is any adverse environmental or social impact or issue that was not foreseen by or contemplated in the Environmental and Social Action Plan either entirely or as to its severity,
2. if any impact mitigation measure set out in the Environmental and Social Action Plan is not sufficient to eliminate or reduce any environmental or social impact to the level contemplated by the relevant Designated Performance Requirements within the time frame set out in the Environmental and Social Action Plan, or
3. if any material non-compliance with the Environmental and Social Action Plan or with any Environmental and Social Law has been identified by the Borrower, the Bank or an inspection from any regulatory or enforcement authority

the Borrower, acting by the MoTTT shall, as soon as reasonably practicable and subject to the consent of the Bank, develop and incorporate into the Environmental and Social Action Plan such additional or revised mitigation measures as may be necessary to achieve compliance with the Designated Performance Requirements, the Environmental and Social Action Plan or Environmental and Social Laws, in each case in a manner satisfactory to the Bank.

## Section 3.05. Consultants

(a) In order to assist in the implementation of the Project, the Borrower, acting by the MoTTT, shall, unless otherwise agreed with the Bank, employ or cause to be employed, as required, and use consultants whose qualifications, experience and terms of reference are satisfactory to the Bank, including:

(1) consultants to assist in the preparation, implementation and supervision of the Project, including consultants for the (i) procurement of equipment and works, and (ii) supervision of civil works before the civil works contract is awarded;

(2) consultants to assist the PIU; and

(3) consultants to assist in carrying out the Project study referred to in Section 3.06.

(b) The Borrower, acting by the MoTTT, shall provide, without charge, to any consultants engaged to assist in matters relating to the Project or the operations of the Borrower all facilities and support necessary for the carrying out of their functions, as well as all documents, materials and other information that may be relevant to their work.

## Section 3.06. Project Study

Unless the Bank otherwise agrees, the Borrower, acting by the MoTTT, shall:

(a) Not later than 31 December 2020, commence preparation of the feasibility study;

(b) Not later than 28 February 2021, discuss with the Bank the findings and draft recommendations included in such study; and

(c) Thereafter, implement in accordance with a timetable acceptable to the Bank the recommendations of such study, taking into account the Bank's comments.

## Section 3.07. Reporting Frequency and Submission Requirements

(a) Commencing from the Effective Date, until the full amount of the Loan has been repaid or cancelled, the Borrower, acting by the MoTTT, shall submit to the Bank annual reports on Environmental and Social Matters arising in relation to the Borrower and the Project, as referred to in Section 5.02(c)(iii) of the Standard Terms and Conditions, within 60 days after the end of the year being reported on. Such reports shall include information on the following specific matters:

(1) information on compliance by the Borrower with the Designated Performance Requirements as described in Section 3.04(a) and the implementation of the Environmental and Social Action Plan;

(2) information on how the Borrower has monitored the compliance with the Designated Performance Requirements and the Environmental and Social Action Plan by any contractor engaged for the Project and a summary of any material non-compliance by such contractor with the Designated Performance Requirements and the Environmental and Social Action Plan and of any measures taken to remedy such non-compliance;

(3) information on implementation of the stakeholder engagement plan and grievance mechanism required by Designated Performance Requirement 10, including a summary of any grievances received and how such grievances were resolved;

(4) information on compliance by the Borrower with Environmental and Social Laws in relation to the Project, including a description of any claim, proceeding, order or investigation commenced or threatened against the Borrower, the status of any Authorisation required for the Project, the results of any inspection carried out by any regulatory authority, any violation of applicable laws, regulations or standards and any remedial action or fine relating to such violation, a summary of any material notice, report and other communication on Environmental and Social Matters relating to the Project submitted by the Borrower to any regulatory authority and any other circumstances giving rise to liability of the Borrower for any Environmental and Social Matter;

(5) information on occupational health and safety management and the occupational health and safety record of the Project including the rates of accidents, lost time incidents and near-misses, any preventive or mitigative measures taken or planned by the Borrower, any staff training on occupational health and safety and any other initiatives in relation to occupational health and safety management which have been implemented or planned by the Borrower;

(6) a summary of any change in Environmental and Social Laws which may have a material effect on the Project; and

(7) copies of any information on Environmental and Social Matters periodically submitted by the Borrower to the general public.

(b) Commencing from the Effective Date, the Borrower, acting by the MoTTT, shall submit the periodic Project reports referred to in Section 4.04(a)(v) of the Standard Terms and Conditions quarterly, within 60 days after the end of the period being reported on, until the Project has been completed (as confirmed by the Bank). Such reports shall include:

(1) The following general information:

(A) the physical progress accomplished in the implementation of the Project to the date of report and during the reporting period;

(B) actual or expected difficulties or delays in the implementation of the Project and their effect on the implementation schedule, and the actual steps taken or planned to overcome the difficulties and avoid delays;

(C) expected changes in the completion date of the Project;

(D) key personnel changes in the staff of the PIU, the consultants or the contractors;

(E) matters that may affect the cost of the Project; and

(F) any development or activity likely to affect the economic viability of any Part of the Project.

(2) A bar-type progress chart, based on the Project implementation schedule as set out in the Project Implementation Plan, showing the progress in each Part of the Project and including a planned and actual expenditure graph.

(3) Financial statements showing details of the expenditures incurred under each Part of the Project and the Drawdowns, together with a statement showing:

(A) original cost estimates;

(B) revised cost estimates, if any, with reasons for changes;

(C) original estimated expenditures and actual expenditures to date;

(D) reasons for variations of actual expenditures to date from original estimated expenditures to date; and

(E) estimated expenditures for the remaining quarters of the year.

(4) A brief statement of the status of compliance with each of the covenants contained in this Agreement.

(c) The Borrower, acting by the MoTTT, shall submit quarterly, within 30 days after the end of the period being reported on, until the Project has been completed (as confirmed by the Bank), a report relating to the competitive tender process carried out pursuant to Section 3.01 (d) above.

(d) Immediately upon the occurrence of any incident or accident relating to the Borrower or the Project which has or is likely to have a significant adverse effect on the environment, workers, or on public or occupational health or safety, the Borrower, acting by the MoTTT shall inform the Bank and promptly thereafter give the Bank notice thereof specifying the nature of such incident or accident and any steps the Borrower is taking to remedy the same. Where an incident involves sensitive information in relation to a person or any risk of retaliation, the initial notice to the Bank shall not include any details of the identity of the persons involved. Without limiting the generality of the foregoing,

1. an incident or accident relates to the Project if it occurs on any site used for the Project or, if it is caused by Project workers and/or facilities, equipment, vehicles or vessels used for or relating to the Project (whether or not being used on any site of the Project and whether or not being used by authorised or unauthorised persons);
2. an incident or accident is considered to have a significant adverse effect on the environment or on public or occupational health or safety if:

(A) any applicable law requires notification of such incident or accident to any governmental authority,

(B) such incident or accident involves fatality of any person (whether or not such person is employed by the Borrower),

(C) more than one person (whether or not such persons are employed by the Borrower) has received serious injury requiring hospitalisation,

(D) such incident involves violence and harassment, bullying, intimidation, and/or exploitation, including any form of gender-based violence;

(E) such incident involves forced and child labour relating to the Project; or

(F) such incident or accident has become, or is likely to become, public knowledge whether through media coverage or otherwise.

(d) The Borrower, acting by the MoTTT shall promptly notify the Bank of any significant protest or petition by workers or members of the public directed at or relating to the Borrower or the Project which might have a material adverse effect on the Borrower or the Project or which has become, or is likely to become, public knowledge through media coverage or otherwise. Within ten days following any such notification, the Borrower shall submit a report satisfactory to the Bank specifying the outcome of the Borrower’s investigation into such protest, and any steps taken, or proposed to be taken, by the Borrower to resolve the issues raised in the protest or petition.

# ARTICLE IV - FINANCIAL COVENANTS

## Section 4.01. Financial Records and Reports

(a) The Borrower shall, in respect of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof, maintain procedures, records and accounts adequate to reflect, in accordance with internationally accepted accounting standards consistently applied, the operations, resources and expenditures relating to the Project and to monitor and record the progress of the Project (including its costs and the benefits to be derived from it).

(b) The Borrower shall:

(1) have the records and accounts referred to in Section 4.01(a) for each Fiscal Year audited by independent auditors acceptable to the Bank in accordance with internationally accepted auditing principles and standards;

(2) furnish to the Bank as soon as available, but in any case not later than six months after the end of each Fiscal Year, the report of such audit by such auditors of such scope and in such detail as the Bank may reasonably request; and

(3) furnish to the Bank such other information concerning such records and accounts, and the audit thereof, as the Bank may from time to time reasonably request.

# ARTICLE V - SUSPENSION; ACCELERATION; CANCELLATION

## Section 5.01. Suspension

The following are specified for purposes of Section 7.01(a)(xvii) of the Standard Terms and Conditions:

(a) The legislative and regulatory framework applicable to the digital infrastructure sector in the territory of the Borrower shall have been amended, suspended, abrogated, repealed or waived in a manner that would have a material adverse effect on the Project or the ability of the Borrower to perform its obligations under this agreement;

(b) Any of the events described in Section 7.01(a)(x) of the Standard Terms and Conditions shall have occurred with respect to the Grant Agreement, mutatis mutandis.

## Section 5.02. Acceleration of Maturity

The following are specified for purposes of Section 7.06(f) of the Standard Terms and Conditions:

Any of the events specified in Section 5.01 shall have occurred and continued without remedy for thirty (30) days after notice thereof has been given by the Bank to the Borrower.

# ARTICLE VI - EFFECTIVENESS

## Section 6.01. Conditions Precedent to Effectiveness

The following are specified for purposes of Section 9.02(c) of the Standard Terms and Conditions as additional conditions to the effectiveness of this Agreement:

(a) The Bank shall have received evidence, in form and substance satisfactory to the Bank, that the execution and delivery of this Agreement and the Grant Agreement on behalf of the Borrower has been duly authorised or ratified by all necessary governmental action, including ratification by the national parliament of the Republic of

Serbia. Such evidence shall include, for the avoidance of doubt, all legal opinions provided for in the Grant Agreement and Section 6.02 of this Agreement.

(b) The Bank shall have received consent from the Commission for State Aid Control of the Republic of Serbia, confirming that the Project complies with applicable state-aid regulations.

(c) The Grant Agreement, in form and substance satisfactory to the Bank, has been executed and delivered and all conditions precedent to its effectiveness, except only the effectiveness of this Agreement, have been fulfilled.

(d) The Borrower shall have established the PIU with terms of reference and sufficiently qualified staff and time dedicated to the Project, satisfactory to the Bank.

## Section 6.02. Legal Opinion

For purposes of Section 9.03(a) of the Standard Terms and Conditions, the opinion shall be given on behalf of the Borrower by the Minister of Justice of the Republic of Serbia.

## Section 6.03. Termination for Failure to Become Effective

The date 180 days after the date of this Agreement is specified for purposes of Section 9.04 of the Standard Terms and Conditions.

# ARTICLE VII - MISCELLANEOUS

## Section 7.01. Notices

The following addresses are specified for purposes of Section 10.01 of the Standard Terms and Conditions:

For the Borrower:

Ministry of Finance of Republic of Serbia

Kneza Milosa 20,

11000, Belgrade, Serbia

Attention: Minister of Finance

Fax: + 381 11 361 8961

For the Bank:

European Bank for Reconstruction and Development

One Exchange Square

London EC2A 2JN

United Kingdom

Attention: Operation Administration Department

Fax: +44-20-7338-6100

**IN WITNESS WHEREOF,** the parties hereto, acting through their duly authorised representatives, have caused this Agreement to be signed in four copies in the English language and delivered at Belgrade, Republic of Serbia on the day and year first above written.

**REPUBLIC OF SERBIA**

By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name: Mr. Sinisa Mali

Title: Minister of Finance

**EUROPEAN BANK**

**FOR RECONSTRUCTION AND DEVELOPMENT**

By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name: Mrs. Zsuzsanna Hargitai

Title: Director

# SCHEDULE 1 - DESCRIPTION OF THE PROJECT

1. The purpose of the Project is to assist the Borrower in accelerating high-speed broadband rollout in white zones (without access to broadband network) across rural Serbia, focusing on schools as access points and priority rural broadband users. The Bank will finance design and construction of mid-mile fibre broadband infrastructure connecting 500 schools /public institutions in settlements in white in rural areas in Serbia to the existing fibre backbone network. The Bank acts as the lead IFI for this Project, which has received WBIF Steering Committee approval in December 2019 for a Technical Cooperation (“TC”) grant in the amount of EUR 1.7 million the for project preparation, which includes feasibility studies, cost-benefit analyses, indicative cost estimates, and preliminary designs.

The MoTTT” will build mid-mile infrastructure from existing backbone to the schools, and will provide long-term right of use (25 years) to operators selected following an open competitive tender process, free-of-charge. In return, selected operators will in-parallel build the last-mile infrastructure connecting the schools to up to 80,000 surrounding households. The Project is part of a larger initiative and represents the first of two phases, whereas the second phase targeting up to 900 schools/public institutions and 135,000 households is planned as a separate project for 2021/2022.

The MoTTT will publish open public calls including proposed locations of schools and a targeted number of households in the proximity of schools that should be covered by broadband infrastructure. The operators will then simply provide their fibre Points of Presence from which the MoTTT would build mid-mile fibre connections to schools. In case that an operator plans to invest in the target white area in next three years, they will inform the MoTTT about such investment plan so that the MoTTT may consider termination of state aid procedure for the relevant target area in the event that the conditions for the provision of state aid are not fulfilled anymore. Mid-mile connectivity in such white zones will not be deployed. In case operators see no economically viable case for such venture/investment, they will simply skip proving an interest during the open public call the MoTTT will publish.

Mid-mile infrastructure will be deployed on a technologically neutral basis, ensuring that all telecom operators can compete. The Project aims to provide at least 100 Mbps connectivity (ultrafast broadband) to as many rural settlements as possible, in line with the country’s Strategy for the Development of Broadband Networks and Services (2014) and general EU aims (30 Mbps connectivity to all citizens, and 100 Mbps connectivity to at least 50% of the population by 2020).

Deploying mid-mile connectivity to schools in white zones is expected to incentivise telecommunications operators to develop last-mile connectivity in white zones which are commercially unviable, and which without state intervention would remain uncovered for years to come. In settlements where there are no schools other public institutions (such as libraries or local community centres) will be used as access points. The MoTTT estimates that over 90% of access points included in the Project will be rural school.

2. The Project consists of the following Parts, subject to such modifications thereof as the Bank and the Borrower may agree upon from time to time:

Part A: Design and construction of mid-mile broadband infrastructure

Part B: Construction of last-mile broadband deployment by telecommunication operators

3. The Project is expected to be completed by 31 December 2023.

# SCHEDULE 2 - CATEGORIES AND DRAWDOWNS

1. The table attached to this Schedule sets forth the Categories, the amount of the Loan allocated to each Category and the percentage of expenditures to be financed in each Category.

2. Notwithstanding the provisions of paragraph 1 above, no Drawdown shall be made in respect of:

(a) expenditures incurred prior to the date of the effectiveness of the Loan Agreement; and

(b) expenditures under any Category unless and until the prior fulfilment, in form and substance satisfactory to the Bank, or at the sole discretion of the Bank the waiver, whether in whole or part and whether subject to conditions or unconditional, of the following conditions precedent:

1. completion of the feasibility study set out in Section 3.06 in form and substance (which, for the avoidance of doubt, shall include the conclusion of the study) satisfactory to the Bank;
2. completion of the Project Implementation Plan in form and substance satisfactory to the to the Bank;
3. appointment of telecom operators with respect to the last-mile infrastructure construction and mid-mile infrastructure operations and maintenance;
4. appointment of qualified consultants to support the PIU during project preparation, and implementation, satisfactory to the Bank;and
5. receipt of report from an independent consultant appointed by the Bank, in form and substance satisfactory to the Bank, confirming that (i) the selection of telecom operators responsible for mid-mile operation and maintenance and last-mile deployment was done following an open, transparent, non-discriminatory and competitive tender process, in compliance with applicable local law and state aid regulations in a manner satisfactory to the Bank and (ii) the MoTTT has entered into legally binding agreements with the telecom operators selected pursuant 3) above pursuant to which they will provide open access to the mid-mile and last-mile infrastructure constructed under the Project to all telecom operators wishing to utilise the infrastructure for the provision of services in compliance with local law and state aid regulations.

**Attachment to Schedule 2**

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| --- | --- | --- |
| **Category** | **Amount of the Loan Allocated in the Loan Currency (EUR)** | **Percentage of Expenditures to be Financed** |
| Part A: Design and construction of mid-mile broadband infrastructure | EUR 17,820,000 | 100%  (excluding Taxes) |
| Front-end Commission | EUR 180,000 | 100% |
| **Total** | **EUR 18,000,000** |  |

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# SCHEDULE 3 – ENVIRONMENTAL AND SOCIAL ACTION PLAN

1. Serbia rural Broadband ESAP (July 2020) 51835

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   | --- | --- | --- | --- | --- | --- | --- | --- |
   | **No.** | **Action** | **Environmental & Social Risks**  **(Liability/Benefits)** | **Requirement**  **(Legislative, EBRD PR, Best Practice)** | **Resources, Investment Needs, Responsibility** | **Timetable** | **Target and Evaluation Criteria for Successful Implementation** | **Status** |
   | **PR1** | **Environmental, Health and Safety Management** | | | | | | |
   | 1.1 | Ensure a formal environmental, health and safety management risk management systems is in place for DDAD so that they align with internationally recognised systems such as ISO 14001 and OHSAS 18001 with particular focus towards contractor selection and management as well as environmental, health and safety legal compliance | Compliance with national law and PR1 | National law & PR1 | Client internal resources | All the time | Report in Annual Environmental and Social Report (AESR) |  |
   | **PR2** | **Labour and Working Conditions** | | | | | | |
   | 2.1 | Contractor management and labour management  Contractor management system in line with PR 2 and international standards (such as SA 8000) in order to ensure standardisation regarding management, reporting and compliance during the civil work  Ensure the legal labour and OHS requirements continue to be included in bidding and contract documents | Compliance with national legislation & PR2 | National legislation  EBRD PR 2 (ILO standards)  International Standards-SA 8000 | Client internal resources | Within 90 days from EBRD loan agreement | Reported to EBRD through AESR. |  |
   | 2.2 | Internal Grievance Mechanism with the Contractors  Ensure a formal construction worker grievance mechanism in line with PR2 in place by contractors. The contractors need to inform workers of the mechanism and procedures at the time of hire in their local language. As a best practice, options of anonymous grievance mechanism should be established to encourage concerns to be raised freely. | Formalised and improved employee relationship and management | EBRD PR 2 | Client internal resources | Implementation of formal grievance mechanism  during the construction and operation | Records of employee grievances and resolutions reported to EBRD through AESR |  |
   | **PR4** | **Health and Safety** | | | | | | |
   | 4.1 | Occupational Health and Safety  Monitor the Contractors’ OHS practice, ensure OHS legal compliance requirements in the contracts are in place, ensure the contactor has OHS management system in place, ensure OHS induction training for construction workers, ensure PPE is provided and worn by the workers, record near miss and material accident and assess such incidents, prescribe mitigation measures and monitor improvement, ensure accident preventive measures such as adequate edge protection are in place. | Occupational safety risk management | National legislation  EBRD PR 4 | Client internal resources | Prior to construction activities and on an on-going basis | Reported to EBRD through AESR.  If material incidence, report EBRD promptly |  |
   | 4.2 | H&S for school children and general public  Prior to the work, work schedule is informed to the concerned local municipalities, schools and the general public.  Ensure that the working area is well fenced, pedestrian passage is secure, signage is visible and clear.  If required, a temporary traffic signal and/ or traffic safety personals are at the site.  HS induction training for construction workers, record near miss and material accident and assess such incidents related children, the general pubic and traffic, prescribe mitigation measures and monitor improvement, ensure accident preventive measures | School children and general public safety management | National legislation  EBRD PR 4 | Client internal resources | Prior to the construction and on an ongoing basis | Report to EBRD through AESR  If material incident, report to EBRD promptly |  |
   | 4.3 | Log on and Report on incidence  Ensure that the Contractors log on near miss and/or material incidences as well as report to DDAD  Ensure that the Contractors do root analysis of incidents and implement preventive measures  Report any material incident promptly to the Bank | Labour and public safety management | National legislation  EBRD PR 4 | Contractors’ internal resources and DDAD’s | Within 3 months of the Project signing | Report on the log on and reporting system as well as material incidents & cause of them in an AESR  Report the Bank promptly on any material incident |  |
   | **PR8** | **Cultural Heritage (“CH”)** | | | | | | |
   | 8.1 | CH approval for new civil work  Ensure that each construction undertakers and contractors have a chance finding procedures in compliance with national law. Monitor their chance finding procedures and strictly follow national law. | Compliance with national legislation and PR8 | National legislation  EBRD PR 8 | Client internal resources | Prior to construction | Approval from cultural heritage authority for construction in place.  Report to EBRD through AESR. |  |
   | **PR10** | **Public Consultation** | | | | | | |
   | 10.1 | Public Grievance Mechanism by the contractors and DDAD  During the construction and operation, ensure that a public grievance mechanism is in place (easy contact points, announcement, timely response, log on system) | Compliance with national law and PR10 | National law, PR10 | Client internal resources | All the time | Report to EBRD through AESR. |  |

   [↑](#endnote-ref-2)
2. [↑](#endnote-ref-3)