ПРЕДЛОГ ЗАКОНА

О ПОТВРЂИВАЊУ СПОРАЗУМА О ЗАЈМУ (ПРОЈЕКАТ ИНТЕГРИСАНОГ РАЗВОЈА КОРИДОРА РЕКЕ САВЕ И ДРИНЕ ПРИМЕНОМ ВИШЕФАЗНОГ ПРОГРАМСКОГ ПРИСТУПА) ИЗМЕЂУ РЕПУБЛИКЕ СРБИЈЕ И МЕЂУНАРОДНЕ БАНКЕ ЗА ОБНОВУ И РАЗВОЈ

Члан 1.

Потврђује се Споразум о зајму (Пројекат интегрисаног развоја коридора реке Саве и Дрине применом вишефазног програмског приступа) између Републике Србије и Међународне банке за обнову и развој, који је потписан у Београду, 9. и 11. маја 2021. године у оригиналу на енглеском језику.

Члан 2.

Текст Споразума о зајму (Пројекат интегрисаног развоја коридора реке Саве и Дрине применом вишефазног програмског приступа) између Републике Србије и Међународне банке за обнову и развој, у оригиналу на енглеском и преводу на српски језик гласи:

**LOAN NUMBER 9128-YF**

**Loan Agreement**

**(****Sava and Drina Rivers Corridors Integrated Development Program Using the Multiphase Programmatic Approach)**

**between**

**REPUBLIC OF SERBIA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION**

**AND DEVELOPMENT**

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF SERBIA (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

WHEREAS:

(A) Under the first phase of a Multiphase Programmatic Approach (MPA), the Bank intends to support the regional Sava and Drina Rivers Corridors Integrated Development Program in Serbia (“Project”), as described in Schedule 1 hereto;

(B) by separate financing agreements to be entered into between Bosnia and Herzegovina and Montenegro, respectively, with the Bank (“Bosnia and Herzegovina Financing Agreement”, and “Montenegro Financing Agreement”, as further defined in the Appendix to this Agreement), the Bank will extend them financing to cover the cost of activities related to their respective parts of the Project;

(C) the Borrower, Bosnia and Herzegovina and Montenegro (collectively, the “Participating Beneficiaries”) take part in several bilateral and multilateral agreements related to cross-border cooperation in the Sava River Basin, most notably the Framework Agreement on the Sava River Basin (FASRB), the regional treaty to which the Borrower, Bosnia and Herzegovina, together with Republic of Croatia, and Republic of Slovenia are the Parties and to which Montenegro is a participant through a Memorandum of Understanding with International Sava River Basin Commission  (ISRBC), and that, *inter alia*, calls for regional cooperation as regards navigation safety, promotion of sustainable water resources management and protection against adverse events (such as floods, ice hazards, droughts and incidents involving substances hazardous to water and mitigation);

(D) the Participating Beneficiaries together with Republic of Croatia and Republic of Slovenia participate to the ISRBC, an [international organization](https://en.wikipedia.org/wiki/International_organisation)  established for purpose of the implementation of the FASRB;

(E) by a letter dated April, 3, 2020 ISRBC declared its commitment to participate in the carrying out of regional cooperation activities that are supportive of Part 4 of the Project as described in Schedule 1 to the Agreement hereto;

(F) it is expected that the Republic of Croatia and the Republic of Slovenia, as members of the ISRBC, will support regional cooperation activities under Part 4 of the Project under the MPA; and

(G)      under the second phase of the MPA, the Bank intends to continue to support countries in the region to strengthen trans-boundary water cooperation, improve navigability and flood protection in the Sava and Drina rivers corridors.

# ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

* 1. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
  2. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II — LOAN**

* 1. The Bank agrees to lend to the Borrower the amount of seventy-eight and two hundred million Euro (€ 78,200,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”), to assist in financing of Parts 1.1, 1.3, 2 and 3 of the Project, as described in Schedule 1 to this Agreement.
  2. The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 to this Agreement.
  3. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
  4. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. The interest rate is the Reference Rate plus the Fixed Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.

2.06. The Payment Dates are June 15 and December 15 in each year.

2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

**ARTICLE III — PROJECT**

* 1. The Borrower declares its commitment to the objectives of the Project and the MPA Program. To this end, the Borrower shall carry out Parts 1.1, 2, and 3 of the Project through MoAFW, Part 1.3 through MoCTI, and shall carry out Part 4 of the Project, all in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

# ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following, namely that as a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation has arisen which makes it improbable that the MPA can be carried out.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

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

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

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

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

Ministry of Finance

20 Kneza Milosa St.

11000 Belgrade

Republic of Serbia; and

(b) the Borrower’s Electronic Address is:

Facsimile: E-mail:

(381-11) 3618-961 kabinet@mfin.gov.rs

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

International Bank for Reconstruction and Development

1818 H Street, N.W.

Washington, D.C. 20433

United States of America; and

(b) the Bank’s Electronic Address is:

Facsimile: E-mail:

1-202-477-6391 Ivangelder@worldbank.org

AGREED and signed in English as of the Signature Date.

**REPUBLIC OF SERBIA**

**By**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Authorized Representative**

**Name: Siniša Mali**

**Title: Finance Minister**

**Date: 11. 05. 2021.**

**INTERNATIONAL BANK FOR**

**RECONSTRUCTION AND DEVELOPMENT**

**By**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Authorized Representative**

**Name: Stephen N. Ndegwa**

**Title: Country Manager, Serbia**

**Date: 9-мay-2021**

**SCHEDULE 1**

**Project Description**

The objective of the Project is to improve flood protection and enable transboundary water cooperation in the Sava and Drina Rivers Corridors.

The Project constitutes the first phase of the MPA Program, and consists of the following parts:

**Part 1: Integrated Management and Development of the Sava River Corridor**

1. Provision of support to finance flood protection and environmental management investments of embankments and related interventions at selected priority areas along the Sava River Corridor.
2. Provision of support to carry out waterway improvements through the demining of the right bank of the Sava river corridor.
3. Provision of support to finance the enhancement of the Sremska Mitrovica port infrastructure.

**Part 2: Integrated Management and Development of the Drina River Corridor**

1. Provision of support to finance flood protection and environmental management investments of embankments and related interventions at selected priority areas along the Drina Corridor.

1. Provision of support to carry out the integrated development of the upper Lim River watershed in Drina corridor.

**Part 3: Project Preparation and Management**

1. Provision of support to finance the preparation of the second phase of the MPA Program, including environmental and social safeguard assessments.
2. Provision of support to (a) increase the institutional capacity and inter-sectoral coordination in the Participating Beneficiaries to ensure a more efficient decision-making process and program management at the regional level and (b) carry out Project management activities, including financial management and procurement, monitoring and evaluation, carrying out of audits, safeguards and implementation of grievance redress mechanisms, and reporting for Parts 1.1, 1.3, 2 and 3 of the Project.

**Part 4: Regional Cooperation**

1. Participation in the improvement of policy dialogue activities and consultations, outreach and communication campaigns and preparation of plans and studies to strengthen the nexus between water services and connectivity with the regional development and economic integration objectives of the Sava and Drina Rivers Corridor.
2. Participation in the activities of the relevant regional entities supporting regional coordination activities for the Sava and Drina River Corridors.

**SCHEDULE 2**

**Project Execution**

**Section I. Implementation Arrangements**

**A. Institutional Arrangements.**

1. Without limitation to the provisions of Article V of the General Conditions, and except as the Bank shall otherwise agree, the Borrower shall:
2. establish by not later than two (2) months after the Effective Date, and thereafter maintain at all times during the implementation of the Project, a PIU within MoAFW, with composition, resources, terms of reference and functions acceptable to the Bank. The MoAFW PIU shall be responsible for disbursement, monitoring and evaluation and safeguards compliance under Parts 1.1, 2, and 3 of the Project;
3. establish by not later than two (2) months after the Effective Date, and thereafter maintain at all times during the implementation of the Project, a PIU within MoCTI, with composition, resources, terms of reference and functions acceptable to the Bank. The MoCTI PIU shall be responsible for disbursement, monitoring and evaluation and safeguards compliance under Part 1.3 of the Project;
4. maintain at all times during the implementation of the Project, the CFU within MoF, with composition, resources, terms of reference and functions acceptable to the Bank. The CFU shall be responsible for the fiduciary arrangements; and
5. Take all the necessary actions for the implementation of Part 4 of the Project in a manner satisfactory to the Bank and as outlined in the POM.

**B. Project Operations Manual.**

1. The Borrower, through MoAFW and MoCTI, shall by not later than two (2) months following the Effective Date and thereafter implement the Project in accordance with a POM, in form and substance satisfactory to the Bank, that sets out the operational and administrative procedures and requirements for Project implementation.
2. The POM may not be assigned, amended, abrogated or waived, or permitted to be assigned, amended, abrogated or waived, or any provision thereof, in a manner which, in the opinion of the Bank, may materially and adversely affect the implementation of the Project. The POM may only be amended in consultation with, and after approval of, the Bank. In case of any conflict between the terms of the POM and those of this Agreement, the terms of this Agreement shall prevail.

**C. Annual Work Plan and Budget.**

The Borrower, through MoAFW and MoCTI, shall:

(a) prepare and furnish to the Bank not later than June 30, 2022 for the following 18 months of implementation of the Project and thereafter no later than October 30 of each year during the implementation of the Project, starting in October 30, 2023 a proposed Annual Work Plan and Budget for the next calendar year containing: (i) all activities to be carried out under the Project during that calendar year; (ii) a proposed financing plan for expenditures required for such activities, setting forth the proposed amounts and sources of financing; and (iii) any training activities that may be required under the Project including: (A) the type of training; (B) the purpose of the training; and (C) the cost of the training; and

(b) provide the Bank a reasonable opportunity to exchange views with the Borrower on each such proposed Annual Work Plan and Budget, and shall thereafter ensure that the Project is implemented with due diligence during said following year, in accordance with such Annual Work Plan and Budget as shall have been approved by the Bank; and not make or allow to be made any change to the approved Annual Work Plan and Budget without the Bank’s prior written approval.

**D. Safeguards.**

1. The Borrower shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.

2. Without limitation upon paragraph 1 above, the Borrower shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the Bank. To this end, the Borrower shall ensure that:

1. the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and as further specified in the ESCP;
2. sufficient funds are available to cover the costs of implementing the ESCP;
3. policies, procedures and qualified staff are maintained to enable it to implement the ESCP, as further specified in the ESCP; and
4. the ESCP or any provision thereof, is not amended, revised or waived, except as the Bank shall otherwise agree in writing and the Borrower has, thereafter, disclosed the revised ESCP.

In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

1. The Borrower shall:
2. take all measures necessary on its part to collect, compile, and furnish to the Bank through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the ESCP and the management tools and instruments referred to therein, all such reports in form and substance acceptable to the Bank, setting out, inter alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the

ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and

1. promptly notify the Bank of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the instruments referenced therein and the Environmental and Social Standards.
2. The Borrower shall maintain and publicize the availability of a grievance mechanism, in form and substance satisfactory to the Bank, to hear and determine fairly and in good faith all complaints raised in relation to the Project and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Bank.
3. The Borrower shall ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

**Section II. Project Monitoring Reporting and Evaluation**

1. (a) The Borrower shall, through MoAFW and MoCTI, furnish to the Bank each consolidated Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.
2. Unless otherwise agreed with the Bank, the Borrower, through the MoAFW PIU and MoCTI PIU shall prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about September 30, 2023 a consolidated report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date.
3. Review with the Bank, by November 15, 2023 or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank’s views on the matter.

**Section III. Withdrawal of Loan Proceed**

**A. General.**

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to: (a) finance Eligible Expenditures; and (b) pay the Front-end Fee; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

|  |  |  |
| --- | --- | --- |
| **Category** | **Amount of the Loan**  **Allocated**  **(expressed in Euro)** | **Percentage of Expenditures to be financed** |
| (1) Goods, works, non-consulting services, consulting services, Operating Costs and Training for Parts 1.1, 1.3, 2 and 3 of the Project | 78,004,500 | 100% (inclusive of Taxes other than Value Added Tax and Customs Duties for works, goods and non-consulting services) |
| (2) Front-end Fee | 195,500 | Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions |
| TOTAL AMOUNT | 78,200,000 |  |

For the purpose of this table, the custom duties and value added tax for the importation and supply of goods, works and non-consulting services, within the Borrower’s territory and for the purpose of the implementation of the Project, shall not be financed out of Loan proceeds. The Borrower confirms that the importation and supply of goods, works and non-consulting services, within the Borrower’s territory and for the purpose of the implementation of the Project, shall be exempted from customs duties and value added tax.

**B. Withdrawal Conditions; Withdrawal Period.**

1.Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed one million Euro (€1,000,000) may be made for payments made prior to this date but on or after May 1, 2020, for Eligible Expenditures under Category (1).

1. The Closing Date is July 30, 2026.

**SCHEDULE 3**

**Commitment-Linked Amortization Repayment Schedule**

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”).

**Level Principal Repayments**

|  |  |
| --- | --- |
| **Principal Payment Date** | **Installment Share** |
| On each June 15 and December 15  Beginning December 15, 2023  through December 15, 2031 | 5.56% |
| On June 15, 2032 | 5.48% |

**APPENDIX**

**Definitions**

1. “Annual Work Plan and Budget” means the work plan and budget prepared annually by the Borrower and approved by the Borrower in accordance with Section I.C of Schedule 2 to this Agreement; “Annual Work Plans and Budgets” means more than one such Annual Work Plan and Budget.
2. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
3. “Bosnia and Herzegovina Financing Agreement” means the agreement between Bosnia and Herzegovina and the Bank for the MPA, as such agreement may be amended from time to time. “Bosnia and Herzegovina Financing Agreement” includes all appendices, schedules and agreements supplemental to the Financing Agreement.
4. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
5. “CFU” means Central Fiduciary Unit, the unit referred to in Section I.A (c) of Schedule 2 to this Agreement.

1. “Co-financing” means, for purposes of paragraph 16 of the Appendix to the General Conditions, an amount to be provided by a Co-financier to assist in financing Part 4 of the Project.
2. “Co-financing Agreement” means the agreement to be entered between an entity and the Co-financier that will provide for the Co-financing.
3. “Environmental and Social Commitment Plan” or the acronym “ESCP” means the Borrower’s environmental and social commitment plan, acceptable to the Bank, dated *June* 8, 2020, which sets out a summary of the material measures and actions to address the potential environmental and social risks and impacts of the Project, including the timing of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any instruments to be prepared thereunder; as the ESCP may be revised from time to time, with prior written agreement of the Bank, and such term includes any annexes or schedules to such plan.
4. “Environmental and Social Standards” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Bank at https://www.worldbank.org/en/projects-operations/environmental-and-social-framework.

1. “Framework Agreement on the Sava River Basin” or “FASRB” means the regional treaty to which the Borrower, Bosnia and Herzegovina, Republic of Croatia, and Republic of Slovenia are parties and to which Montenegro is a participant through a Memorandum of Understanding, and that, *inter alia*, calls for regional cooperation as regards navigation safety, promotion of sustainable water resources management and protection against adverse weather events such as floods and droughts.
2. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated December 14, 2018.
3. “International Sava River Basin Commission” or “ISRBC” means an [international organization](https://en.wikipedia.org/wiki/International_organisation)  established in 2006 pursuant to FASRB for the purpose of implementation of said treaty.
4. “MoAFW” means the Borrower’s Ministry of Agriculture, Forestry and Water or its successor thereof.
5. “MoAFW PIU” means the Borrower's Project Implementation Unit, maintained by the Borrower within MoAFW, in accordance with Section I.A.1 (a) of Schedule 2 to this Agreement.
6. “MOCTI” means the Borrower’s Ministry of Communication, Transport and Infrastructure or its successor thereof.
7. “MoCTI PIU” means the Borrower's Project Implementation Unit, maintained by the Borrower within MoCTI, in accordance with Section I.A.1 (b) of Schedule 2 to this Agreement.
8. “MOF” means the Borrower’s Ministry of Finance, or its successor thereof.
9. “Montenegro Financing Agreement” means the agreement between the Republic of Montenegro and the Bank for the MPA, as such agreement may be amended from time to time. “Montenegro Financing Agreement” includes all appendices, schedules and agreements supplemental to the Financing Agreement.
10. “MPA Program” means the multiphase programmatic approach program, whose objective is to facilitate integrated transboundary water resources management and development along the Sava and Drina River Corridors.
11. “Operating Costs” means reasonable incremental expenses incurred on account of implementation of the Project, including, *inter alia*, office supplies and other consumable goods, office rent, internet and communications costs, support for information systems, translation costs, bank charges, utilities, travel, transportation, per diem, accommodation costs (lodging), CFU salaries and other reasonable expenditures directly associated with the implementation of the Project, on the basis of annual budgets acceptable to the Bank, excluding salaries of the civil service employees.
12. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017 and August 2018.
13. “Project Operational Manual” or “POM” means the Project Operational Manual to be prepared by the Borrower in accordance with Section I.B of Schedule 2 to this Agreement and satisfactory to the Bank, setting forth the operational and administrative responsibilities, procedures and rules for the implementation of the Project, including the Environmental and Social Management Framework, the Performance Indicators and the financial management arrangements for the Project, the arrangements for Part 4 of the Project, as the same may be amended and supplemented from time to time with the Bank's prior written approval.
14. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.
15. “Training” means the reasonable costs, as shall have been approved by the Bank, for training and workshops conducted under the Project, including tuition, travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, study tours and other costs directly related to training course and workshop preparation and implementation (but excluding goods and consultants’ services).