**LOAN NUMBER IBRD 94820-YF**

**Loan Agreement**

**(Improving Public Financial Management for the Green Transition Operation)**

**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:

# 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**

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of sixty-nine million three hundred thousand Euro (€69,300,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”), to assist in financing:

1. the program as described in Part 1 (“Program”) of Schedule 1 to this Agreement; and
2. the project as described in Part 2 (“Project”) of Schedule 1 to this Agreement.

(the Program and the Project hereinafter, jointly referred to as the “Operation”).

* 1. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement. All withdrawals from the Loan Account to finance the Program shall be deposited by the Bank into an account specified by the Borrower and acceptable to the Bank.
  2. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
  3. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
  4. The interest rate is the Reference Rate plus the Variable Spread; or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.

2.06. The Payment Dates are April 15 and October 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 — OPERATION**

3.01. The Borrower declares its commitment to the objectives of the Operation. To this end, the Borrower shall carry out the Operation in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

**ARTICLE IV — EFFECTIVENESS; TERMINATION**

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

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

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

5.02. 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](mailto:kabinet@mfin.gov.rs)

5.03. 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:

Telex: Facsimile: E-mail:

248423(MCI) or 1-202-477-6391 [npontara@worldbank.org](mailto:npontara@worldbank.org)

64145(MCI)

AGREED and signed in English as of the Signature Date.

**REPUBLIC OF SERBIA**

**By**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**/s1/

**Authorized Representative**

**Name: \_\_\_SINIŠA MALI\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**/n1/

**Title: DEPUTY PRIME MINISTER AND MINISTER**

**OF FINANCE** /t1/

**Date: \_\_\_\_\_\_\_\_\_\_\_30 – МАY 2023\_\_\_\_\_\_\_\_\_\_\_**/d1/

**INTERNATIONAL BANK FOR RECONSTRUCTION**

**AND DEVELOPMENT**

**By**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**/s1/

**Authorized Representative**

**Name: \_\_\_ Nicola Pontara\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**/n1/

**Title: \_\_Country Manager\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**/t1/

**Date: \_\_\_\_24 – May - 2023\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**/d1/

**SCHEDULE 1**

**Description of the Operation**

The objective of the Operation is to improve Core Public Financial Management Functions and institutional capabilities needed for the Borrower’s fiscal resilience and green transition.

The Operation consists of the following activities:

Part 1. The Program

1.1 Strengthen fiscal resilience, transparency, and spending effectiveness, through:

(a) Preparing the MOF and Direct Budget Beneficiaries to (i) strengthen programmatic budgeting; (ii) define key performance indicators; (iii) conduct outturn reporting; (iv) conduct gender disaggregation efforts; and (v) use gender disaggregated data.

(b) Supporting the MOF and Direct Budget Beneficiaries to (i) prepare public investment proposals; (ii) prepare timely progress reports on public investment projects through PIMIS; and (iii) develop and adopt a plan for asset valuations to improve the asset registry.

(c) Enhancing the MOF’s capacity to monitor and report fiscal risks and use risk data in its decision-making processes.

1.2 Green the Borrower’s expenditure cycle and monitor GHG emissions, through:

1. Improving the PPS’s capacity to provide guidance and support to Direct Budget Beneficiaries in (i) strengthening costing of Public Policy Documents; and (ii) introducing the green aspects into Public Policy Documents.

(b) Supporting MOF and other ministries and institutions represented in the Inter-Ministerial Working Group to (i) finalize a Green Budget Tagging methodology; (ii) conduct Green Budget Tagging; and (iii) use information collected through Green Budget Tagging in their decision‑making processes.

(c) Supporting MOF and other ministries and institutions represented in the Inter-Ministerial Working Group to develop and use green and climate‑sensitive criteria as part of their public investment management activities.

1. Facilitating the Institutions’ implementation of Guidelines on Green Public Procurement.
2. Facilitating MoEP’s and SEPA’s implementation of a GHG MRV in line with European Union and international standards.

Part 2. The Project consists of, *inter alia*, the following activities to assist with implementation of the Program:

1. provision of technical assistance, Training and Operating Costs to the MOF, PPS, MoEP, RPD, and PPO for the Operation’s management, implementation, monitoring and evaluation, including the costs for the Verification Agent;
2. preparation of Training manuals and materials;
3. targeted capacity building activities to enable the implementation of activities;
4. procurement of 2 software: software to enhance the GHG MRV IT solution, and the Calculator;
5. change management and behavioral change interventions;
6. communication, outreach, and awareness-raising activities; and
7. identification of lessons learned and best practices in other countries that may be relevant for the Borrower.

**SCHEDULE 2**

**Execution of the Operation**

**Section I. Implementation Arrangements**

**A. Program institutions**

The Borrower shall vest the MOF with the responsibility for the implementation of the Operation, whom shall be supported by:

1. **The Steering Committee.**
2. The Borrower, through MOF, shall establish and maintain throughout Project implementation a Steering Committee, which shall be chaired by the Borrower’s Minister of Finance (or his or her delegate, such as the MOF State Secretary), and include representatives of the MOF; MoEP; MoCTI; PPS; PPO; MoME; MPI; MOAFWM; and RPD, at the level of assistant minister or equivalent.
3. The Borrower, through MOF, shall cause the Steering Committee to (i) provide strategic guidance and support for the Operation’s implementation; (ii) provide guidance on how to resolve Operation-related bottlenecks; (iii) monitor stakeholders’ implementation of Operation activities; (iv) endorse progress reports to the Bank; and (v) ensure adequate engagement with non-government stakeholders, including civil society organizations and the private sector.
4. The Steering Committee may invite the Bank and the Co-financier as observers to any parts of Steering Committee sessions with agenda items pertaining to the Operation.
5. The Borrower, through MOF, shall cause the Steering Committee to meet at least every six (6) months as of the Effective Date to discuss and analyze the Operation’s progress.
6. **The Operation Coordination Unit.**
7. The Borrower, through the MOF, shall (i) maintain an Operation Coordination Unit (“OCU”) within the DICEI throughout implementation of the Operation; and (ii) contract consultants for the Operation, as may be required, under terms acceptable to the Bank.
8. The Borrower, through the MOF’s OCU, shall be responsible, with regards to the Operation, for *inter alia*, (i) overall management and coordination of Operation implementation, acting as the secretariat for the Steering Committee and any potential sub-committees and technical level sub‑working groups; (ii) monitoring Operation activities; (iii) monitoring compliance with environmental and social safeguards; (iv) regularly collect and report data pertaining to DLR achievement and indicators contained in the OIM; (v) preparing Operation progress reports; (vi) coordinating the scope and implementation of work plans for the Project; and (vii) hiring the Verification Agent for DLI 1.
9. The Borrower, through the MOF’s OCU, shall contract, no later than sixty (60) days as of the Effective Date, a part-time social and citizen engagement specialist.
10. **Central Fiduciary Unit.**
11. The Borrower shall ensure that MOF maintains a Central Fiduciary Unit (“CFU”) throughout implementation of the Operation, with terms of reference and resources acceptable to the Bank.
12. The Borrower shall ensure that the CFU is responsible, with regards to the Operation, for *inter alia*, (i) Project financial management; (ii) Project procurement; (iii) Project financial reporting; and (iv) monitoring and reporting the programmatic budget items included in the Program Expenditure.
13. **Coordination Arrangements.**
14. To facilitate the carrying out of the Operation, the Borrower:
15. shall support the implementation of specific Operation activities, as set forth under the OIM, through, *inter alia*, MOF and MoEP; and
16. through MOF, shall cause, at all times during the implementation of the Operation, PPS, PPO, RPD, to be responsible for providing information to MOF about the achievement of their respective DLIs/DLRs, as set forth in the OIM.

**B. Operation Implementation Manual**

1. The Borrower shall carry out the Operation in accordance with the Operation Implementation Manual (“OIM”) containing detailed arrangements and procedures for the implementation of the Operation including, *inter alia*: (i) disbursement and flow of funds arrangements; (ii) institutional arrangements, including Steering Committee arrangements and responsibilities; (iii) financial management, governance and procurement systems; (iv) environmental and social management systems and an operational grievance redress mechanism; (v) anti‑corruption, including implementation of the Anti-Corruption Guidelines; (vi) monitoring and evaluation, reporting and communication, including Program indicators; (vii) detailed arrangements for verification of achievement of the DLRs (including the Verification Protocol); and (viii) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Operation.
2. Except as the Bank shall otherwise agree, the Borrower shall not amend, abrogate, waive, suspend, or fail to enforce any provision of the OIM without the prior written agreement of the Bank.
3. In case of any conflict between the terms of the OIM and this Agreement, the terms of this Agreement shall prevail.

**C. Verification Agents**

The Borrower, through the MOF, shall, not later than four (4) months after the Effective Date contract, and thereafter maintain at all times during the implementation of the Program, a contractor as an independent Verification Agent under terms of reference acceptable to the Bank, to verify the data and other evidence supporting the achievement of the DLI 1, as set forth in the table in Section IV.A.II. of this Schedule 2 and the OIM.

The Borrower, through MOF, shall cause the PPS to serve as the verification agent, throughout the implementation of the Program, to verify the data and other evidence supporting the achievement of the DLIs 2 through 8, as set forth in the table in Section IV.A.II. of this Schedule 2 and the OIM.

The Borrower, through MOF’s OCU, shall (i) ensure that the Verification Agents carry out verification and process(es) in accordance with the Verification Protocol; and (ii) submit to the Bank the corresponding verification reports in a timely manner and in form and substance satisfactory to the Bank.

**D. Environmental and Social Standards for the Project**

1. The Bank 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, as provided in the ESCP;
2. sufficient funds are available to cover the costs of implementing the ESCP;
3. policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
4. the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Bank shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
5. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
6. The Borrower shall ensure that:
7. all measures necessary are taken 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 environmental and social 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
8. the Bank is promptly notified 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 environmental and social instruments referenced therein and the Environmental and Social Standards.
9. The Borrower shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Bank.

**Section II. Excluded Activities**

The Borrower shall ensure that the Program excludes any activities which:

A. in the opinion of the Bank, are likely to have significant adverse impacts that are sensitive,diverse, or unprecedented on the environment and/or affected people; or

B. involve the procurement of: (1) works, estimated to cost one hundred fifteen million Dollars ($115,000,000) equivalent or more per contract; (2) goods, estimated to cost seventy five million Dollars ($75,000,000) equivalent or more per contract; (3) non-consulting services, estimated to cost seventy five million Dollars ($75,000,000) equivalent or more per contract; or (4) consulting services, estimated to cost thirty million Dollars ($30,000,000) equivalent or more per contract.

**Section III. Operation Monitoring, Reporting and Evaluation**

The Borrower shall furnish to the Bank each Operation progress report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

1. 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) with respect to the Program, finance the Program Expenditures, on the basis of the results (“Disbursement Linked Results” or “DLRs”) achieved by the Borrower, as measured against specific indicators (“Disbursement Linked Indicators” or “DLIs”); (b) with respect to the Project, finance the Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against Category (9); and pay the Front-end Fee; all as set forth in the table in paragraph 2 of this Part A.

2. The following table specifies (i) with respect to the Program, each category of withdrawal of the proceeds of the Loan (including the Disbursement Linked Indicators as applicable) (“Category”), the Disbursement Linked Results for each Category (as applicable), and the allocation of the amounts of the Loan to each Category; and (ii) with respect to the Project,the Eligible Expenditures under the Project financed under Category (9), as well as the financing percentages thereof:

| **Category (including Disbursement Linked Indicator as applicable)** | **Disbursement Linked Result (as applicable)** | **Formula** | **Amount of the Loan Allocated (expressed  in EUR)** | **Percentage of Expenditures to be financed (inclusive  of taxes other than value added tax and customs duties for goods and non‑consulting services)** |
| --- | --- | --- | --- | --- |
| (1) DLI #1: Green and climate aspects are integrated into Public Policy Documents, and the links between Public Policy Documents and budgets are strengthened | DLR 1.1: The PPS (i) develops and approves Guidelines on Inclusion of Green Aspects into Public Policy Documents; and (ii) publishes said Guidelines on its website.  DLR 1.2: Percentage of the Public Policy Documents adopted during the course of 2025 prepared applying the Guidelines on Inclusion of Green Aspects into Public Policy Documents and the planning system costing methodology. | When completed  Scalable - each 10 percentage points achieved = EUR 500k | 3,626,750  2,500,000 | N/A  N/A |
| (2) DLI #2: Implementing Green Budget Tagging | DLR 2.1: (i) The MOF introduces, by the end of 2023, a mandatory GBT methodology and implementation plan (“Roadmap”). (ii) The Inter- Ministerial Working Group endorses the Roadmap.  (iii) The MOF publishes the GBT methodology on its website, and includes it in the budget instructions for the preparation of the 2025 budget.  DLR 2.2: The adopted GBT methodology is (i) used to prepare the 2025 annual budget (adopted by December 2024) and (ii) reflected by green tags in the 2025 Budget Law.  DLR 2.3: The MOF (i) upgrades the GBT methodology to include Brown Expenditures; (ii) publishes on its website the upgraded GBT methodology; and (iii) includes the upgraded GBT methodology in the instructions for the 2028 budget preparation. | When completed  When completed  When completed | 2,500,000  2,500,000  3,000,000 | N/A  N/A  N/A |
| (3) DLI #3: Improving management of public investments and assets. | DLR 3.1: (i) RPD, through MOF, proposes an amendment to the Decree on the Registration of Immovable Property in Public Ownership introducing a methodology for valuing public assets. (ii) The Government (a) adopts the amended Decree containing the introduced methodology; and (b) publishes the amended Decree in the Official Gazette. (iii) RPD (a) publishes the amended Decree on its website; and (b) develops a roadmap for the amended methodology’s implementation (with specific timelines and costing).  DLR 3.2: (i) MOF (a) issues opinion on financial and implementation aspects of all capital projects submitted for selection during 2026; and (b) recommends a List of Priority Projects based on criteria prescribed by the Borrower.  (ii) The Borrower, selects at 80% or more of the projects to be funded based on the MOF’s recommendations. | When completed  Scalable – every 5 percentage points above 65% adherence to priority list = EUR 1.333m | 3,000,000  4,000,000 | N/A  N/A |
| (4) DLI #4: Increasing the share of green and climate-responsive public investments | DLR 4.1: Percentage of Capital Projects that the Government selects for financing in the 2026 Budget Law which (i) are subject to the Decree on Capital Project Management for the pre‑implementation stage; and (ii) comply with said Decree’s new methodologies for the selection of projects according to environmental/climate relevance.  DLR 4.2: Percentage of budget allocated to green and climate-responsive expenditures for Capital Projects subject to the Decree on Capital Project Management, as determined by (i) a review of the public investment portfolio (subject to said Decree) for 2027 Budget Law, and (ii) an assessment of the share based on the criteria set forth under the applicable legal and regulatory framework, as identified under the OIM. | Scalable - for every  10 percentage points of projects in compliance = EUR 1m  Scalable - for every 5 percentage points of total capital expenditures subject to the Decree on Capital Project Management = EUR 1.2m | 4,000,000  6,000,000 | N/A  N/A |
| (5) DLI #5: Broadened use of green public procurement | DLR 5.1: By the end of 2023 (i) percentage of procurement tenders across the Institutions consistent with Guidelines on Green Public Procurement; and (ii) the Institutions reported, through the PPO and MOF, to the Bank on the share of green to total procurement values.  DLR 5.2: By the end of 2025 (i) percentage of procurement tenders across the Institutions consistent with Guidelines on Green Public Procurement; and (ii) the Institutions reported, through the PPO and MOF, to the Bank on the share of green to total procurement values. | Scalable - every 1.1 percentage point increase over the 2021 baseline of 2.7% = EUR 1.33m  Scalable – every 1.5 percentage points increase above 6% = EUR1m | 4,000,000  4,000,000 | N/A  N/A |
| (6) DLI #6: Improved fiscal transparency and program-based budgeting, including gender disaggregation | DLR 6.1: At least three Line Ministries include KPIs in their program budgets (as per the adopted 2024 Budget Law) on expenditure efficiency, and environmental, and gender specific aspects of performance.  DLR 6.2: The MOF has submitted to the National Assembly a budget proposal for 2025 which includes (i) the budget execution data for the current and previous year (in the same format/ classifications as the annual budget); and (ii) includes relevant information targeting gender equity.  DLR 6.3: (i) The MOF produces annual performance outturn reports, which includes Green Agenda projects and subsidies. (ii) The MOF (a) publishes the annual performance outturn reports on its website; and (b) includes a summary of the report’s Green Agenda projects and subsidies in the Citizen Budget.  DLR 6.4: The number of Line Ministries relevant for the Green Agenda that have (i) produced, consulted on with stakeholders, and published program budget performance reports; and (ii) included in such reports an analysis of their environmental and climate performance (green tagged expenditures and KPIs). | When achieved  When achieved  When achieved  Scalable – EUR 1m per Line Ministry including analysis of their environ-mental and climate perfor-mance | 2,500,000  2,500,000  2,000,000  2,000,000 | N/A  N/A  N/A  N/A |
| (7) DLI #7: Implementing effective fiscal risk monitoring and reporting | DLR 7.1: The Government adopts and publishes in the Official Gazette the Fiscal Strategy for 2025-2027 with a fiscal risk section that includes quantified and forward looking key fiscal risks for the period covered.  DLR 7.2: The Government (i) includes in the fiscal risk section of the 2026-2028 Fiscal Strategy, a dedicated natural disaster risks subsection (including climate-induced natural disasters, such as floods) with historical and forward-looking analysis and quantified estimates; and (ii) publishes it on the Official Gazette and on its website.  DLR 7.3: The Government publishes the 2027-2029 Fiscal Strategy and the adopted annual budget for 2027 (i) setting out quantified forward looking fiscal risks; and (ii) with the narrative part of the annual budget specifying fiscal adjustments to be made in case that said fiscal risks materialize (such as the use of contingency funds, budget re-allocations). | When achieved  When achieved  When achieved | 4,000,000  2,000,000  2,000,000 | N/A  N/A  N/A |
| (8) DLI #8: Developing the GHG MRV and implementing it for the reporting of relevant emitters/ operators | DLR 8.1: SEPA publishes an annual report, including a national GHG inventory, covering at least five of the seven gases included in the NDC, according to the Climate Change Law and relevant by-laws.  DLR 8.2: Percentage of GHG Emission Permits issued by MoEP relative to the number of applications submitted by operators in 2025.  DLR 8.3: Percentage of GHG Emission Permit holders that submit verified emissions reports to MoEP and SEPA in 2026. | When achieved  Scalable – EUR 600k per 10 percentage points achieved  Scalable – EUR 1m per 25 percentage points achieved | 4,000,000  3,000,000  3,000,000 | N/A  N/A  N/A |
| (9) Goods, non-consulting services, and consulting services, Operating Costs and Training for Part 2 of the Operation |  |  | 3,000,000 | 50% |
| (10) Front-end Fee |  |  | 173,250 | To be paid pursuant to Section 2.03 of this Agreement in accordance with Section 2.05 (b) of the General Conditions |
| **TOTAL AMOUNT** |  |  | **69,300,000** |  |

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

Subject to the execution of the Co-financing Agreement, the total Project expenditures will be jointly co-financed by the Co-financing for a total of, approximately, six million Euro (€6,000,000).

**B. Withdrawal Conditions; Withdrawal Period**

1.Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

1. on the basis of DLRs achieved prior to the Signature Date;
2. for any DLR until and unless the Borrower has furnished evidence satisfactory to the Bank that said DLR has been achieved; and
3. for Categories (1) through (9) unless and until the Borrower has:
4. developed and adopted, to the satisfaction of the Bank, the OIM, including the Verification Protocol; and
5. established a Steering Committee with composition, resources, terms of reference and functions acceptable to the Bank, as set forth in this Agreement and the OIM.

2. Notwithstanding the provisions of Part B.1(b) of this Section, the Borrower may withdraw an amount not to exceed sixteen million five hundred thousand Euro (€16,500,000) as an advance against the future achievement of one or more DLRs; provided, however, that if the relevant DLRs in the opinion of the Bank, are not achieved (or only partially achieved) by the Closing Date, the Borrower shall refund such advance (or the portion of such advance, as determined by the Bank), to the Bank promptly upon notice thereof by the Bank. Except as otherwise agreed with the Borrower, the Bank shall cancel the amount so refunded. Any further withdrawals requested as an advance under any Category shall be permitted only on such terms and conditions as the Bank shall specify by notice to the Borrower.

3. Notwithstanding the provisions of Part B.1(b) of this Section, if any of the DLRs has not been fully achieved by the date by which the said DLR is set to be achieved (or such later date as the Bank has established by notice to the Borrower), the Bank may, by notice to the Borrower: (a) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds of the Loan then allocated to said DLR which, in the opinion of the Bank, corresponds to the extent of achievement of said DLR, said lesser amount to be calculated in accordance with the formula set out in the table under Section IV.A.2 above, (b) reallocate all or a portion of the proceeds of the Loan then allocated to said DLR to any other DLR ; and/or (c) cancel all or a portion of the proceeds of the Loan then allocated to said DLR.

4. The Closing Date is March 31, 2027.

**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 April 15 and October 15    Beginning April 15, 2027  Through October 15, 2034 | 6.25% |

**APPENDIX**

**Definitions**

1. “AJARB” means the Borrower’s Administration for Joint Affairs of Republican Bodies, or any legal successor hereto.
2. “Anti-corruption Guidelines” means: (a) for purposes of paragraph 6 of the Appendix to the General Conditions of the Program, the Bank’s “Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing,” dated February 1, 2012, and revised July 10, 2015; and (b) for purposes of paragraph 6 of the Appendix to the General Conditions of the Project, 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. “Brown Expenditures” means expenditures that are environmentally harmful, such as those associated with higher emissions or greater pollution.
4. “BSL” means the Borrower’s Law on the Budget System, duly published in the Borrower’s Official Gazette No. 54/09, dated July 17, 2009, as amended pursuant to the amendments published in the Borrower’s Official Gazette: (i) No. 73/10, dated October 12, 2010; (ii) No. 101/10, dated December 29, 2010; (iii) No. 101/11, dated December 30, 2011; (iv) No. 93/12, dated September 28, 2012; (v) No. 62/13, dated July 16, 2013; (vi) No. 63/13, dated July 19, 2013 (corrigendum); (vii) No. 108/13, dated December 6, 2013; (viii) No. 142/14, dated December 25, 2014; (ix) No. 68/15, dated August 4, 2015 (other law); (x) No. 103/15, dated December 14, 2015; (xi) No. 99/16, dated December 12, 2016; (xii) No. 113/17, dated December 17, 2017; (xiii) No. 95/18, dated December 8, 2018; (xiv) No. 31/19, dated April 29, 2019; (xv) No. 72/19, dated October 7, 2019; (xvi) No. 149/20, dated December 11, 2020; (xvii) No. 118/21, dated December 9, 2021; (xviii) No. 118/21, dated December 9, 2021 (other law); and (xix) No. 138/2022, dated December 12, 2022.
5. “Budget Law” means the law enacted by the Borrower on an annual basis setting forth the Government’s budget.
6. “Calculator” means a cost calculator software for the preparation of Public Policy Documents.
7. “Capital Project” means (i) a project for the construction or major maintenance of buildings or infrastructure facilities of interest for the Borrower or a local authority, including project planning services that are integral parts of such project and procurement of land for construction; or (ii) a project that involves investment in equipment, machinery, and other non-financial assets that serve the public interest; or (iii) public investments in non-financial assets with a service or useful life of more than one year funded from the Borrower’s budget, budget of a local authority, loan, and/or grant received on behalf of the Borrower or guaranteed by the Borrower.
8. “Category” means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
9. “Central Fiduciary Unit” or “CFU” means the MOF unit referred to in Section I.A.3 of Schedule 2 to this Agreement.
10. “Citizen Budget” means the Guide through the Budget of the Republic of Serbia, a document published by the MOF accompanying the annual Budget Law, which aims to elaborate the annual budget allocations and goals to citizens in a non‑technical and simplified manner.
11. “Climate Change Law” means the law duly published in the Borrower’s Official Gazette No. 26/2021, dated March 23, 2021.
12. “Co-financier” means the French Development Agency (*Agence Française de Developpement*).
13. “Co-financing” means, for purposes of paragraph 17 of the Appendix to the General Conditions, an amount of three million Euro (€3,000,000) to be provided by the Co-financier to assist in financing the Project.
14. “Co-financing Agreement” means the agreement to be entered into between the Borrower and the Co-financier providing for the Co-financing.
15. “Core Public Financial Management Functions” means (i) budgeting, strengthening linkages between plans and budgets, and fiscal transparency; (ii) public investment and asset management; and (iii) fiscal risk management.
16. “Decree on Capital Projects Management” means the Decree duly published in the Borrower’s Official Gazette No. 51/2019, dated July 19, 2019, and No. 139/2022, dated December 16, 2022.
17. “Decree on the Registration of Immovable Property in Public Ownership” means the decree published in the Borrower’s Official Gazette No. 70/2014, dated July 9, 2014, as amended in the Borrower’s Official Gazettes No.19/2015, dated February 20, 2015, No. 83/2015 dated October 3, 2015, and No. 13/2017 dated February 24, 2017.
18. “DICEI” means the MOF’s Department for International Cooperation and European Integration.
19. “Direct Budget Beneficiary” means the direct users of the budget proceeds of the Republic of Serbia identified under Article 2 of the BSL, or any successor legislation.
20. “Disbursement Linked Indicator” or “DLI” means in respect of a given Category, the indicator related to said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
21. “Disbursement Linked Result” or “DLR” means in respect of a given Category, the result under said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement, on the basis of the achievement of which, the amount of the Loan allocated to said result may be withdrawn in accordance with the provisions of said Section IV.
22. “Emission Permit” means, pursuant to Article 25 of the Climate Change Law, a permit issued by MoEP to an operator of an Installation in which an activity is expected to be carried out that would produce GHG emissions; “Emission Permits” means more than one Emission Permit.
23. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated February 3, 2023, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Borrower shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
24. “Environmental and Social Standards” or “ESSs” 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 African 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.
25. “Fiscal Strategy” means a Borrower document that, pursuant to the BSL, states the fiscal policy goals and is submitted annually by the Borrower’s Government to the Parliament.
26. “General Conditions” means, (i) in respect of the Program: the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Program-for-Results Financing”, dated December 14, 2018 (revised on August 1, 2020, December 21, 2020, April 1, 2021, and January 1, 2022); and (ii) in respect of the Project: the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020, December 21, 2020, April 1, 2021, and January 1, 2022).
27. “GHG” means greenhouse gas.
28. “GHG MRV” means a monitoring, reporting and verification system of greenhouse gas emissions.
29. “Green Agenda” means the Borrower’s commitments resulting from the adoption of the 2020 Sofia Declaration on the Green Agenda for the Western Balkans, the 2021 Action Plan, as well as the potential adoption of the 2023 national green agenda strategy, with regards to: (i) climate, energy and mobility; (ii) circular economy; (iii) depollution; (iv) sustainable agriculture and food production; and (v) biodiversity.
30. “Green Budget Tagging” or “GBT” means a system of expenditure classification that identifies expenditures that support the Green Agenda, including climate mitigation and adaptation.
31. “Guidelines on Green Public Procurement” means the guidelines published on the PPO’s website, as may be revised, that public bodies should follow when procuring goods, services, and works to ensure (i) minimal impact on the environment; and (ii) energy efficiency (i.e., an adequate reduction in energy consumption).
32. “Guidelines on Inclusion of Green Aspects into PPDs” means a set of guidance to be developed by the PPS for Direct Budget Beneficiaries to consider how green aspects can be included into Public Policy Documents.
33. “Installation” means, pursuant to Article 11 of the Climate Change Law, a stationary technical unit where one or more activities that produce GHG emissions are carried out.
34. “Institutions” means, collectively, the following 7 institutions: SEPA, MoEP, MOE, MoCTI, MOH, MOAFWM, and AJARB.
35. “Inter-Ministerial Working Group” means the Inter-ministerial working group for the PFM and achievement of the Green Agenda goals (*Međuresorna radna grupa za reform javnih finansija radi ostvarivanja ciljeva Zelene agende*) established pursuant to Government Decision No. 02-4955/2022-1 dated June 23, 2022.
36. “KPI” means key performance indicator.
37. “Line Ministries” means the Borrower ministries, other than the MOF, with delegated budget execution authority, as identified under the Borrower’s Law on Ministries, duly published in the Borrower’s Official Gazette No. 128/2020 dated October 26, 2020, and No. 116/2022 dated October 22, 2022.
38. “List of Priority Projects” means the list identified under Article 3 of the Decree on Capital Projects Management.
39. “MOAFWM” means the Borrower’s Ministry of Agriculture, Forestry and Water Management, or any legal successor hereto.
40. “MoCTI” means the Borrower’s Ministry of Construction, Transport, and Infrastructure, or any legal successor hereto.
41. “MOE” means the Borrower’s Ministry of Economy, or any legal successor hereto.
42. “MoEP” means the Borrower’s Ministry of Environmental Protection, or any legal successor hereto.
43. “MOF” means the Borrower’s Ministry of Finance, or any legal successor hereto.
44. “MOH” means the Borrower’s Ministry of Health, or any legal successor hereto.
45. “MoME” means the Borrower’s Ministry of Mining and Energy, or any legal successor hereto.
46. “MPI” means the Borrower’s Ministry for Public Investments, or any legal successor hereto.
47. “NDC” means nationally determined contributions, pursuant to the United Nations Framework Convention on Climate Change.
48. “Operating Costs” means reasonable incremental expenses, as shall have been approved by the Bank, incurred on account of implementation of the Project, including, *inter alia*, office supplies and other consumable goods, office rent, internet and communications costs, support for information systems, translation costs, bank charges, utilities, travel, transportation, per diem, accommodation costs (lodging), CFU staff members’ salaries and other reasonable expenditures directly associated with the implementation of the Project, excluding consulting services and salaries of other officials of the Borrower’s civil service.
49. “Operation” means, jointly, the Program and the Project described, respectively, in Parts 1 and 2 of Schedule 1 to this Agreement.
50. “Operation Coordination Unit” or “OCU” means the MOF unit referred to in Section I.A.2 of Schedule 2 to this Agreement.
51. “Operation Implementation Manual” or “OIM” means the manual referred to in Section I.B of Schedule 2 to this Agreement, as said manual may be amended from time to time with the prior and written agreement of the Bank.
52. “PIMIS” means the Borrower’s public investment management information systems.
53. “Procurement Regulations” means, for purposes of paragraph 84 of the Appendix to the General Conditions applicable to the Project, the “World Bank Procurement Regulations for IPF Borrowers”, dated November 2020.
54. “Program Expenditures” means selected set of expenditures from the Borrower’s budget which (i) can be financed from the Loan proceeds subject to the Borrower achieving DLRs; and (ii) are described in the POM.
55. “PPO” means the Borrower’s Public Procurement Office, or any legal successor hereto.
56. “PPS” means the Borrower’s Public Policy Secretariat, or any legal successor hereto.
57. “Public Policy Documents” means strategies, programs, and action plans, pursuant to Article 10 of the Borrower’s Law on the Planning System, duly published in the Borrower’s Official Gazette No. 30/2018 dated April 20, 2018.
58. “RPD” means the Borrower’s Republic Property Directorate, or any legal successor hereto, which maintains records of the Borrower’s immovable and movable properties.
59. “SEPA” means the Borrower’s Environmental Protection Agency, or any legal successor hereto.
60. “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.
61. “Steering Committee” means the body referred to in Section I.A.1 of Schedule 2 to this Agreement.
62. “Trainings” 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).
63. “Verification Agent” means one or more individuals or entities appointed and/or hired, as applicable, by the Borrower pursuant to Section I.C of Schedule 2 to this Agreement, in charge of preparing the verification reports certifying the achievement of the DLRs.
64. “Verification Protocol” means the protocol agreed by the Bank and the Borrower to verify the data and other evidence supporting the achievement of one or more DLIs and DLRs as specified in the OIM. Such protocols may be modified from time to time with the agreement of the Bank.