

**OFFICIAL  
DOCUMENTS**

**LOAN NUMBER 8528-YF**

**Loan Agreement**  
**(Competitiveness and Jobs Project)**

**between**

**REPUBLIC OF SERBIA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated** *October 7*, 2015

## LOAN AGREEMENT

Agreement dated October 7, 2015, 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

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. 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 eighty nine million five hundred thousand Euros (EUR 89,500,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.
- 2.06. The Payment Dates are March 1 and September 1 in each year.

- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

### ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objective of the Project. To this end, and in accordance with the provisions of Article V of the General Conditions, the Borrower shall:
- (a) carry out Part A.1 of the Project through its Public Policy Secretariat ("PPS"), with the assistance of its Ministry of Economy ("MoE"), Ministry of Education, Science and Technological Development ("MoESTD") with the support of the Innovation Fund ("IF"), and Ministry of Labor, Employment, Veteran and Social Affairs ("MoLEVSA"), and National Employment Service ("NES");
  - (b) carry out Part A.2 of the Project through MoE;
  - (c) carry out Part A.3 of the Project through MoESTD and IF;
  - (d) carry out Part A.4 of the Project through MoLEVSA and NES;

- (e) carry out Part B.1 of the Project through PPS, in coordination with MoE and MoESTD; and
  - (f) carry out Part B.2 of the Project through MoLEVSA and NES.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

#### **ARTICLE IV —EFFECTIVENESS; TERMINATION**

- 4.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Project Implementing Unit ("PIU") has been established within the PPS in a manner satisfactory to the Bank and has selected at least the PIU director, procurement specialist and financial management specialist, as referred to in Section I.A.2 of Schedule 2 to this Agreement.
  - (b) The MoLEVSA has selected a procurement specialist, as referred to in Section I.A.4 of Schedule 2 to this Agreement.
  - (c) The Project Operations Manual has been adopted by the Borrower, through PPS, in a manner satisfactory to the Bank.
- 4.02. The Effectiveness Deadline is the date one hundred and eighty (180) days after the date of this Agreement.

#### **ARTICLE V — REPRESENTATIVE; ADDRESSES**

- 5.01. For the purposes of Section 10.02 of the General Conditions, 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.
- 5.02. The Borrower's Address is:

Ministry of Finance  
20 Kneza Milosa St.  
11000 Belgrade  
Republic of Serbia

Facsimile:  
(381-11) 3618-961

5.03. The Bank's Address is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED at LIMA, PERU, as of the day and year first  
above written.

**REPUBLIC OF SERBIA**

By



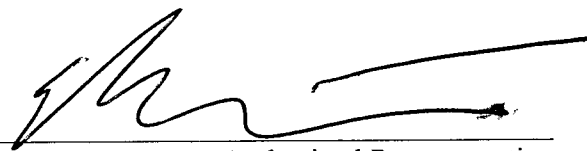
Authorized Representative

Name: DUSAN VUKOVIC

Title: Minister of Finance

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

Name: ELLEN A. GOLDSTEIN

Title: COUNTRY MANAGER

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to improve the effectiveness and coordination of selected public programs to alleviate constraints to competitiveness and job creation, including investment and export promotion, innovation, active labor market programs, labor intermediation, and activation of social assistance beneficiaries.

The Project consists of the following parts:

#### **Part A: Implementation of Eligible Expenditures Programs Subject to Results-Based Financing**

1. Program for Policy Planning, Monitoring and Coordination

Supporting implementation of the Borrower's program for policy planning, monitoring and coordination through developing and piloting an inter-ministerial policy planning, monitoring and coordination system (PPMC) in support of competitiveness and jobs reforms.

2. Program for Investment and Export Promotion

Supporting implementation of the Borrower's program for investment and export promotion through:

- (a) developing and adopting a strategic framework and overall action plan for investment and export promotion, including restructuring the MoE investment and export promotion agencies; and
- (b) improving the Borrower's investment and export promotion programs and services.

3. Program for Innovation

Supporting implementation of the Borrower's program for innovation through:

- (a) supporting the operations of the Innovation Fund and its Matching Grants Program;
- (b) supporting the Technology Transfer Facility ("TTF") service lines at the Innovation Fund; and

- (c) undertaking strategic planning for institutional reform of the public research and development sector.

4. Program for Labor Reform

Supporting implementation of the Borrower's program for labor reform through:

- (a) enhancing the effectiveness of the NES labor intermediation services for employers and the unemployed;
- (b) improving the effectiveness of the Borrower's active labor market programs; and
- (c) facilitating the transition of social assistance beneficiaries into formal jobs.

**Part B. Project Management and Technical Assistance**

1. Supporting management and implementation of Parts A.1, A.2, and A.3 of the Project through the carrying out of technical assistance activities relating to implementation, through the provision of goods, consultants' services, non-consulting services, Training and Operating Costs.
2. Supporting management and implementation of Part A.4 of the Project through the carrying out of technical assistance activities, through the provision of consultants' services.



## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Implementation Arrangements**

##### **A. Institutional Arrangements**

1. The Borrower shall maintain and operate, throughout Project implementation, PPS in a manner, with resources, staff, terms of reference, functions and responsibilities satisfactory to the Bank, and set forth in the Project Operations Manual.
2. The Borrower, through PPS, shall establish and, thereafter, operate and maintain throughout Project Implementation the PIU, as a technical coordination unit of the Project, with technical experts and other personnel in adequate numbers and with qualifications, and with terms and conditions, all satisfactory to the Bank, including a PIU director, a procurement specialist, and a financial management specialist.
3. In respect of Part A.3.(a) of the Project, the Borrower shall ensure that the Matching Grants Program is implemented in a manner satisfactory to the Bank, and in accordance with the Matching Grants Manual, the Environmental and Social Management Framework ("ESMF") and any applicable Environmental Management Plan ("EMP") thereunder.
4. In respect of the implementation of Part B.2 of the Project, the Borrower, through MoLEVSA, shall carry out the procurement, financial management and other associated activities, in coordination with PPS for Project reporting purposes, all in accordance with the Project Operations Manual, and with resources, staff (including a procurement specialist), terms of reference, functions and responsibilities satisfactory to the Bank.

##### **B. Project Operations Manual**

1. The Borrower shall carry out the Project in accordance with a manual (the Project Operations Manual), satisfactory in form and substance to the Bank, which consists of different schedules setting forth rules, methods, guidelines, specific development plans, standard documents and procedures for the carrying out of the Project, including the following:
  - (a) the detailed description of all Project activities supported under this Agreement, their sequencing and the prospective timetable and benchmarks in relation thereto;

- (b) the Project administrative, financial, accounting, auditing, procurement and disbursement procedures, including all relevant standard documents;
  - (c) verification protocols for DLI achievement; and
  - (d) Protocols and operating procedures of the inter-ministerial policy planning, monitoring, and coordination framework pertaining to the Project.
2. The Project Operations Manual may only be amended from time to time in consultation with, and after approval of, the Bank. In case of any conflict between the terms of the Project Operations Manual and those of this Agreement, the terms of this Agreement shall prevail.

**C. Matching Grants Manual**

1. The Borrower shall carry out Part A.3.(a) of the Project in accordance with a manual (the Matching Grants Manual), satisfactory in form and substance to the Bank, adopted by IF, setting forth the procedures for selecting, appraising, and approving mini and matching grants project proposals, and for supervising implementation of projects financed under Matching Grants Program, which shall describe the basic guiding principles and acceptable procedures which shall, *inter alia*, include: (a) the eligibility criteria and amounts for the mini and matching grants; and (b) mandatory provisions that: (i) no civil works shall be financed by the mini and matching grants; (ii) that no land acquisition or Involuntary Resettlement shall occur in connection with the provision of any mini and matching grants; (iii) beneficiaries of the mini and matching grants shall not award contracts to their subsidiary or affiliated companies unless there is an established arms-length arrangement; (iv) mini and matching grants will be provided and implemented in accordance with the ESMF and any applicable EMP thereunder; and (v) international peer review and investment committee mechanisms are used for grant selection.
2. The Project Matching Grants Manual may only be amended from time to time in consultation with, and after approval of, the Bank. In case of any conflict between the terms of the Matching Grants Manual and those of this Agreement, the terms of this Agreement shall prevail.

**D. Anti-Corruption**

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

**E. Safeguards**

- (a) The Borrower shall ensure that the Project is carried out in accordance with the provisions of the ESMF and any EMPs, as applicable. The Borrower shall not assign, amend, abrogate, or waive the ESMF or EMPs, or any provisions thereof, without prior approval of the Bank.
- (b) The Recipient shall ensure that all measures necessary for the carrying out of the ESMF are taken in a timely manner, and in a manner acceptable to the Bank.

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

**A. Project Reports**

The Borrower, through PPS, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators acceptable to the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than two months after the end of the period covered by such report. Each report shall include progress toward achieving each of the DLIs. Midyear reports shall describe progress toward achieving each of the DLIs, in line with the verification protocols in the Project Operations Manual. End of year reports should include evidence of fulfillment of each of the DLIs as described in the verification protocols in the Project Operations Manual.

**B. Financial Management, Financial Reports and Audits**

- 1. The Borrower, through PPS, shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
- 2. Without limitation on the provisions of Part A of this Section, the Borrower, through PPS, shall prepare and furnish to the Bank not later than two months after the end of each calendar semester, separate interim unaudited financial reports of the Project (IFRs), in form and substance satisfactory to the Bank.
- 3. The Borrower shall have its Financial Statements for the Project audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Financial Statements of the Project shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

### **Section III. Procurement**

#### **A. General**

1. **Goods and Non-consulting Services.** All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

#### **B. Particular Methods of Procurement of Goods and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan:
  - (a) National Competitive Bidding, subject to the additional provisions set forth in the Attachment to this Schedule 2;
  - (b) Direct Contracting; and
  - (c) Shopping.

#### **C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan:

- (a) Quality-based Selection;
- (b) Selection under a Fixed Budget;
- (c) Least Cost Selection;
- (d) Selection based on Consultants' Qualifications;
- (e) Single-source Selection of consulting firms and Individual Consultants;  
and
- (f) Selection of Individual Consultants.

**D. Review by the Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions) (the "Additional Instructions"), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<u>Category</u>	<u>Amount of the Loan Allocated (expressed in EUR)</u>	<u>Percentage of Expenditures to be financed</u>
(1) EEPs under Part A of the Project	85,025,000	100% up to the amount of the Loan allocated for each DLI as set out in Schedule 4 to this Agreement.

<u>Category</u>	<u>Amount of the Loan Allocated (expressed in EUR)</u>	<u>Percentage of Expenditures to be financed</u>
(2) Goods, non-consulting services, consultants' services, Training and Operating Costs for Part B.1 of the Project	3,817,175	100%
(3) Consultants' services for Part B.2 of the Project	434,075	100%
(4) Front-end Fee	223,750	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions
TOTAL AMOUNT	89,500,000	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed EUR 5,370,000 may be made for payments made up to twelve (12) months prior to the date of this Agreement, for Eligible Expenditures under Category (1) provided that the Borrower has met the conditions referred to in paragraph 2(a) below.
2. Without limitation to the provisions set forth in paragraph 1 above, withdrawals from the Loan Account in respect of Category (1) shall be made on a semi-annual basis, upon submission by the Borrower of reports specified below, each in form and substance acceptable to the Bank, as follows:
  - (a) for withdrawals under paragraph 1 above, the Borrower shall submit pursuant to the Additional Instructions: (i) an interim financial report providing evidence, satisfactory to the Bank, of EEPs incurred during the twelve (12) month period prior to the date of this Agreement; and (ii) confirmation of achievement of DLIs, satisfactory to the Bank, for said twelve (12) month period.

- (b) for all other withdrawals under Category (1), the Borrower shall submit pursuant to the Additional Instructions: (i) an interim financial report providing evidence, satisfactory to the Bank, of EEPs for the pertinent calendar semester; (ii) confirmation of achievement of DLIs, satisfactory to the Bank, for said calendar semester.
- 3. In connection with the forgoing:
  - (a) if the Bank shall determine, based on the evidence referred to in Section IV.B.2 above, as applicable, that:
    - (i) the DLIs have only been partially met, the withdrawn amount of the Loan allocated to said DLI shall be reduced in proportion to the respective degree of DLI achievement, by an amount and in accordance with a formula set forth in the Project Operations Manual and any Loan balance allocated to said DLI shall remain available for a subsequent withdrawal in case DLI is fully met; or
    - (ii) any given DLI has not been met, the total Loan amount allocated to the respective unachieved DLI shall remain available for a subsequent withdrawal. Such Loan amount may be disbursed only if the DLIs which were not previously met shall subsequently be met.
  - (b) the Bank may, after consultation with, and by notice to, the Borrower, cancel any amount of the Loan, in whole or in part, withheld pursuant to paragraph B.3 (a) above under Category (1).
  - (c) the Bank may, after due consideration of withdrawals requested in connection with paragraph 2(b) above, and by notice to the Borrower, adjust from time to time the amounts and targets set forth in Schedule 4 of this Agreement for specific DLIs, in accordance with the Project Operations Manual.

Notwithstanding the provisions of paragraphs 2 and 3 above, and without limitations to the provisions set forth in the Additional Instructions, the Bank shall not be required to approve further withdrawals from the Loan Account if the Bank, at any time, is not satisfied that the IFRs and other reports referred to in paragraph 2 adequately provide the information as specified in the Additional Instructions and Project Operations Manual.

- 4.
  - (a) If the Bank determines at any time that any amount of the Loan was used to pay for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or refund to the Bank an amount equal to the

amount of such payment. Unless the Bank shall otherwise agree, no further withdrawals shall be made until the Borrower has provided such evidence or made such refund, as the case may be.

- (b) Refunds to the Bank made pursuant to sub-paragraph (a) of this paragraph 4 shall be credited to the Loan Account for subsequent withdrawal or for cancellation, as determined by the Bank, and in accordance with the provisions of the Loan Agreement.

- 5. The Closing Date is June 30, 2019.



**Attachment  
to  
SCHEDULE 2**

The procedures to be followed for National Competitive Bidding shall be those set forth in this Attachment to Schedule 2 to this Agreement, provided, however that such procedure shall be subject to the provisions of Section I and Paragraphs 3.3 and 3.4 of the Procurement Guidelines, and the following additional provisions:

1. "Open Tendering" procedures as defined in Public Procurement Law of Serbia shall apply to all contracts;
2. Foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders in the bidding process. Government-owned enterprises in Serbia shall be permitted to bid only if they are legally and financially autonomous and operate under commercial law of the Borrower;
3. Procuring entities shall use sample bidding documents approved by the Bank;
4. Bids shall not be rejected without the prior concurrence of the Bank, in case of higher bid prices compared to the official estimate;
5. A single-envelope procedure shall be used for the submission of bids;
6. Post-qualification shall be conducted only on the lowest evaluated bidder; no bid shall be rejected at the time of bid opening on qualification grounds;
7. Bidders who contract as a joint venture shall be held jointly and severally liable;
8. Contracts shall be awarded to the lowest evaluated, substantially responsive bidder who is determined to be qualified to perform in accordance with pre-defined and pre-disclosed evaluation criteria;
9. Post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidders;
10. Contracts of long duration (more than 18 months) shall contain appropriate price adjustment provisions acceptable to the Bank;
11. The bidding document and contract as deemed acceptable by the Bank shall include provisions stating the Bank's policy to sanction firms or individuals, found to have engaged in fraud and corruption as defined in the Procurement Guidelines; and

12. In accordance with the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Loan shall provide that bidders, suppliers and contractors, and their subcontractors, agents, personnel, consultants, service providers, or suppliers, shall permit the Bank to inspect all accounts, records, and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Bank. Acts intended to materially impede the exercise of the Bank's inspection and audit rights provided for in the Procurement Guidelines constitute an obstructive practice as defined in the Procurement Guidelines.

### SCHEDULE 3

#### Amortization Schedule

1. 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"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<b>Principal Payment Date</b>	<b>Installment Share (Expressed as a Percentage)</b>
On each March 1 and September 1 Beginning March 1, 2026 through March 1, 2040	3.33%
On September 1, 2040	3.43%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
- (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
  - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
  - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

**Schedule 4**  
**Disbursement Linked Indicators**

DLI	Retroactive <sup>1</sup> 2015	2016	2017	2018	Total
<b>DLI 1: Policy planning, monitoring, and coordination ("PPMC") system piloted</b>	<p>Inter-ministerial Competitiveness and Jobs PPMC Working Group ("PPMC WG") formally created by the Participating Institutions</p> <p>Each Participating Institution adopts institution-specific mandates and reporting lines for participation in PPMC system.</p>	PPMC WG publishes on the PPS website one semi-annual progress report and one annual performance report of the PPMC system with inputs from each Participating Institution.	PPMC WG publishes on the PPS website one semi-annual progress report and one annual performance report of the PPMC system with inputs from each Participating Institution.	PPMC WG publishes on the PPS website one semi-annual progress report and one annual performance report of the PPMC system with inputs from each Participating Institution.	
<b>Amount of the Loan Allocated</b>	(Euro 895,000)	(Euro 895,000)	(Euro 895,000)	(Euro 895,000)	(Euro 3,580,000)
<b>DLI 2: MoE investment and export promotion programs restructured</b>		<p>Strategic framework and overall action plan for investment and export promotion ("Action Plan" prepared and adopted by the MoE.</p> <p>Sectoral policies and</p>	<p>Action Plan for year 2017 implemented, monitored, and updated.</p> <p>Number of investment leads generated increased by at least 10 percent from previous year.</p>	<p>Action Plan for year 2018 is implemented, monitored, and updated.</p> <p>Number of investment leads generated increased by at least 10</p>	

<sup>1</sup> Prior to the date of this Agreement, as provided in Schedule 2, Section IV.B.1.

DLI	Retroactive <sup>1</sup> 2015	2016	2017	2018	Total
		sector-specific implementation plans adopted for target sectors identified in the strategic framework.		percent from previous year.	
<b>Amount of the Loan Allocated</b>		(Euro 7,160,000)	(Euro 6,265,000)	(Euro 6,265,000)	(Euro 19,690,000)
<b>DLI 3: Enterprise innovation supported via the Innovation Fund ("IF") Matching Grants Program ("MGP")</b>		<p>At least Euro 0.72 million allocated for IF's 2016 operational budget.</p> <p>At least Euro 2.7 million allocated to MGP in the Borrower's 2016 budget for IF. At least 80% of 2016 IF MGP budget committed using IF's international peer review and investment committee selection process.</p>	<p>At least Euro 0.72 million allocated for IF's 2017 operational budget.</p> <p>At least Euro 2.7 million allocated to MGP in the Borrower's 2017 budget for IF. At least 80% of 2017 IF MGP budget committed using IF's international peer review and investment committee selection process.</p> <p>MGP implementation evaluation conducted.</p>	<p>At least Euro 0.72 million allocated for IF's 2018 operational budget.</p> <p>At least Euro 2.7 million allocated to MGP in the Borrower's 2018 budget for IF. At least 80% of 2018 IF MGP budget committed using IF's international peer review and investment committee selection process.</p> <p>Proposal for scaling-up</p>	

DLI	Retroactive 2015	2016	2017	2018	Total
				MGP submitted by MoESTD to the Borrower or development partner donor institutions	
<b>Amount of the Loan Allocated</b>		(Euro 3,580,000)	(Euro 3,580,000)	(Euro 3,580,000)	(Euro 10,740,000)
<b>DLI 4: Technology transfer and commercialization facilitated via the TTF</b>		At least one TTF service line deployed.	At least Euro 0.9 million allocated in the Borrower's 2017 budget to TTF operations and services, and at least 3 technology transfer transactions initiated.	At least Euro 0.9 million allocated in the Borrower's 2018 budget to TTF operations and services, and at least 7 technology transfer transactions initiated.  TTF program evaluation conducted and proposal for scaling-up technology transfer activities submitted by MoESTD to	

DLI	Retroactive <sup>1</sup> 2015	2016	2017	2018	Total
				the Borrower or development partner donor institutions.	
<b>Amount of the Loan Allocated</b>		(Euro 2,685,000)	(Euro 2,685,000)	(Euro 3,580,000)	(Euro 8,950,000)
<b>DLI 5: Public research sector reforms designed and adopted</b>	2015-2020 research and innovation strategy adopted by the Borrower including commitment to reforming public RDI sector.	<p>Time bound action plan to implement research and innovation strategy action plan adopted by the Borrower.</p> <p>Time bound action plan to implement research and innovation infrastructure roadmap and action plan adopted by the Borrower.</p> <p>At least 50 RDI self-assessments completed.</p> <p>Pilot performance audits of at least 4 RDIs carried out by international experts.</p>	<p>Performance audits of at least 20 RDIs carried out by international experts.</p> <p>RDI sector reform program adopted by the Borrower, including performance based financing schemes, and deployment timeline</p>	Proposal (including costing, targets and timelines) for technical assistance funding to conduct RDI sector reform submitted by MoESTD to the Borrower or development partner donor institutions.	



DLI	Retrospective 2015	2016	2017	2018	Total
<b>Amount of the Loan Allocated</b>	(Euro 2,685,000)	(Euro 2,685,000)	(Euro 3,580,000)	(Euro 2,685,000)	(Euro 11,635,000)
<b>DLI 6: Effectiveness of NES labor intermediation services delivered to clients (employers and unemployed) improved</b>		Action plan to enhance the quality of employer services and case management adopted by NES ("NES Action Plan")	85% of the total number of NES case workers as of December 31, 2017 are certified according to newly adopted standards under NES Action Plan	Number of employers contacted by the NES within the last 12 calendar month period: 23,000  Number of NES-registered unemployed individuals transitioning into formal jobs within the last 12 month calendar period: 280,000	
<b>Amount of the Loan Allocated</b>		(Euro 2,685,000)	(Euro 1,790,000)	(Euro 2,685,000)	(Euro 7,160,000)
<b>DLI 7: Case load management in NES branch offices improved</b>	Special registry of unemployed persons who are temporarily prevented from working established by NES.	Staffing reforms adopted by NES for 2016 are implemented, and targets on case load per branch office are published	Standard deviation of mean case load per branch office is 300 or less.	Standard deviation of mean case load per branch office is 250 or less.	

DLI	Retroactive <sup>1</sup> 2015	2016	2017	2018	Total
		on the NES website.			
<b>Amount of the Loan Allocated</b>	(Euro 895,000)	(Euro 2,685,000)	(Euro 2,685,000)	(Euro 2,685,000)	(Euro 8,950,000)
<b>DLI 8: Effectiveness of ALMPs improved through statistical evidence</b>	Rule book redefining “low-risk group” of its current risk profiling as “requiring minimal to no NES services”, taking into account registered unemployed individuals’ self-assessment of service needs, adopted by NES.	Action plan on monitoring, evaluation and re-design of ALMPs; and on profiling of registered unemployed individuals approved by NES management.	50% of unemployed individuals registered in NES as of December 31, 2017 have a risk profile according to the new methodology	NES starts pilot of a re-designed ALMP, taking into account evidence from previous evaluations of ALMPs undertaken by NES.  At least 1 service provider for labor market trainings hired based on a performance based contract.	
<b>Amount of the Loan Allocated</b>	(Euro 895,000)	(Euro 2,685,000)	(Euro 2,685,000)	(Euro 2,685,000)	(Euro 8,950,000)
<b>DLI 9: Transition of social assistance beneficiaries into formal jobs facilitated</b>		Study to (i) design a program to reduce disincentives to enter formal jobs for social assistance beneficiaries; and (ii)	Pilot program to support formal employment of a select group of beneficiaries of social assistance and/or child	Average effective tax rate for a social assistance beneficiary household with two children and who participates	

D11	Retroactive/ 2015	2016	2017	2018	Total
		improve activation of social assistance beneficiaries through improved services, carried out by the Borrower.	allowance selected in accordance with criteria set forth in the Project Operations Manual, established by the Borrower.	in pilot program for the previous calendar year, where one adult member transitions into a formal job at minimum wage, where the job is: Half-time: 70% or less, Full-time: 70% or less.	
<b>Amount of the Loan Allocated</b>		(Euro 1,790,000)	(Euro 1,790,000)	(Euro 1,790,000)	(Euro 5,370,000)
<b>Total</b>					(Euro 85,025,000)

## APPENDIX

### Section I. Definitions

1. “Additional Instructions” means the additional instructions referred to in Section IV.A.1 of Schedule 2 to this Agreement, dated as of even date herewith, as such Additional Instructions may be revised from time to time by the Bank.
2. “ALMP” means an active labor market program, such as career guidance, training, employment incentives, and public works.
3. “Anti-Corruption Guidelines” means 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.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
6. “Disbursement-Linked Indicator” or “DLI” means an indicator, set forth in Schedule 4 of this Agreement, the achievement of which is a condition for disbursement of Loan Proceeds, pursuant to Section IV.B. of Schedule 2 to this Agreement.
7. “Eligible Expenditure Programs” or “EEPs” means a set of defined expenditures for salaries incurred by the Borrower, through MoE, research institutes under MoESTD, and NES, all under the Borrower’s sector budget lines set forth in the Project Operations Manual.
8. “EMP” means the Borrower’s site-specific Environmental Management Plan, if necessary, satisfactory to the Bank and prepared and updated as necessary during Project implementation in accordance with the EMF’s “Environmental and Social Screening Procedure for Mini and Matching Grants Program”, defining details of measures to manage potential environmental risks and mitigate, reduce and/or offset adverse environmental impacts.

9. “ESMF” means the Borrower’s Environmental and Social Management Framework, publicly disclosed on May 8, 2015, in form and substance acceptable to the Bank which contains, *inter alia*: environmental and social baseline information and potential environmental and social impacts; environmental and social mitigation measures to be taken during the implementation and operation of the Project to reduce potential adverse environmental and social effects; and the Borrower’s institutions responsibilities for screening and monitoring activities, as said framework may be updated from time to time with the Bank’s prior written concurrence.
10. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012, with the modifications set forth in Section II of this Appendix.
11. “IFR” means interim financial report, referred to in Section II.B.2 of Schedule 2 to the Loan Agreement.
12. “Innovation Fund” or “IF” means the Borrower’s entity established pursuant to Law on Innovation Activity, Official Gazette of the Recipient No. 110/2005, No. 18/2010, and No. 55/2013.
13. “Involuntary Resettlement” means the impact of an involuntary taking of land under the Project, which taking causes affected persons to have their: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently.
14. “Matching Grants Manual” means the set of manuals for the mini and matching grants under the Matching Grants Program, referred to in Section I.C of Schedule 2 to the Loan Agreement, satisfactory to the Bank and adopted by the Innovation Fund.
15. “Matching Grants Program” or “MGP” means the Borrower’s mini grants and matching grants program to fund specific proof of concept, prototyping, research and development and technology development projects with commercialization potential in start-ups, micro and small and medium enterprises, incorporated in the Borrower’s territory, with majority private sector ownership, all in accordance with the ESMF and the Matching Grants Manual.
16. “Ministry of Economy” or “MoE” means the Borrower’s Ministry of Economy, or any legal successor thereto.

17. "Ministry of Education, Science and Technological Development" or "MoESTD" means the Borrower's Ministry of Education, Science and Technological Development, or any legal successor thereto.
18. "Ministry of Finance" or "MoF" means the Borrower's Ministry of Finance, or any legal successor thereto.
19. "Ministry of Labor, Employment, Veteran and Social Affairs" or "MoLEVSA" means the Borrower's Ministry of Labor, Employment, Veteran and Social Affairs, or any legal successor thereto.
20. "National Employment Service" or "NES" means the Borrower's National Employment Service, or any legal successor thereto.
21. "Operating Costs" means the reasonable incremental expenses incurred on account of implementation of the Project, for office supplies and other consumable goods, office rent, internet connection and communications costs, support for information systems, translation costs, bank charges, utilities, reasonable travel, transportation, *per diem*, accommodation costs (lodging), and other reasonable expenditures directly associated with the implementation of the Project, as agreed between the Borrower and the Bank on the basis of semi-annual budgets acceptable to the Bank, excluding salaries of the Borrower's civil service.
22. "Participating Institutions" means, in respect of DLI 1 set forth in Schedule 4 to this Agreement, PPS, MoE, MoESTD, and NES (in cooperation with MoLEVSA).
23. "PIU" means the Project Implementing Unit, referred to in Section I.A.2 of Schedule 2 of this Agreement.
24. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014).
25. "Procurement Plan" means the Borrower's procurement plan for the Project, dated July 7, 2015 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
26. "Project Operations Manual" 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 agreement of the Bank.
27. "Public Policy Secretariat" or "PPS" means the Borrower's Public Policy Secretariat reporting to the office of the Borrower's Prime Minister, or any legal successor thereto.

28. "Public Procurement Law" means the Borrower's Public Procurement Law published in "Official Gazette of the Republic of Serbia", No. 124/12 and 14/15.
29. "Research and Development Institutes" or "RDIs" means the Borrower's system of research and development institutes under the MoESTD.
30. "Technology Transfer Facility" or "TTF" means the centralized Technology Transfer Facility hosted at the Innovation Fund with the objective to conduct technology transfer and commercialization transactions in partnership with technology transfer offices or directly with RDIs and universities.
31. "Training" means expenditures (other than for consultants' services), incurred during the implementation of the Project, based on periodic budgets acceptable to the Bank, for: (i) reasonable travel, room, board and *per diem* expenditures incurred by trainers and trainees in connection with their training; (ii) course fees; (iii) training/workshop facility and equipment rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses not otherwise covered under this definition.

## **Section II. Modifications to the General Conditions**

The General Conditions are hereby modified as follows:

1. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.
2. Section 3.01. (*Front-end Fee*) is modified to read as follows:

"Section 3.01. *Front-end Fee; Commitment Charge*

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the "Front-end Fee").

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the "Commitment Charge"). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date."

3. In the Appendix, **Definitions**, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.
4. The Appendix is modified by inserting a new paragraph 19 with the following definition of "Commitment Charge", and renumbering the subsequent paragraphs accordingly:

"19. "Commitment Charge" means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b)."
5. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of "Front-end Fee" is modified by replacing the reference to Section 3.01 with Section 3.01 (a).
6. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term "Loan Payment" is modified to read as follows:

"68. "Loan Payment" means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower."
7. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of "Payment Date" is modified by deleting the word "is" and inserting the words "and Commitment Charge are" after the word "interest".