January 15, 2015

H.E. Mr. Dušan Vujović
Minister
Ministry of Finance
Government of the Republic of Serbia
Kneza Miloša 20, 11000 Belgrade
Republic of Serbia

Your Excellency:

Re: Republic of Serbia: Road Rehabilitation and Safety Project (Loan No. 8255-YF)

Project Restructuring

We refer to the Loan Agreement between the Republic of Serbia (the “Borrower”) and the International Bank for Reconstruction and Development (the “Bank”), dated November 27, 2013 (the “Loan Agreement”). We also refer to your letter dated November 28, 2014. We understand the request from the Borrower may be summarized as follows: (i) priority for the first year works under Part I of the Project be given to National Road sections that were damaged by the May 2014 floods; (ii) the first year works under Part I of the Project be financed exclusively from loan proceeds, provided that the Borrower's share of the Project's financing will reach the originally agreed share by the end of Project; (iii) other procurement methods be used to expedite the completion of the first year works under Part I of the Project; (iv) the Closing Date of the Project be extended from October 31, 2018 to December 31, 2019; and (v) the Disbursement Linked Indicators (DLIs) be adjusted to reflect the revised implementation schedule.

I am pleased to inform you that the Bank concurs with your request, and proposes to amend the Loan Agreement as set forth in this letter (the “Amendment”)

1. The Bank hereby establishes:
   
a. December 31, 2019 as the later date for the purposes of Schedule 2, paragraph IV.B.6 of the Loan Agreement; and
b. That the table of DLIs set forth in Schedule 4 to the Loan Agreement shall be replaced with the table set forth in Annex I to this Amendment.

2. The Loan Agreement for the Project shall be amended as follows:

a. Limited International Bidding is introduced as an additional method of procurement of goods, works and non-consulting services in Section III.B.2. to Schedule 2 of the Loan Agreement as a new subsection (d). Accordingly, Section III.B.2 to Schedule 2 of the Loan Agreement shall read as follows:

“2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than National Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) International Competitive Bidding, subject to the additional provisions set out in the Attachment to this Schedule 2; (b) Shopping; (c) Direct Contracting; and (d) Limited International Bidding.”

3. Pursuant to your request and the consultations between the Ministry of Finance and the Bank, the indicators set forth in the attachment to Supplemental Letter No. 2 (Performance and Monitoring Indicators) to the Loan Agreement, dated November 27, 2013, are hereby proposed to be restated. A revised and restated results framework is attached in the Amended and Restated Supplemental Letter No. 2, attached hereto as Annex II. If you agree with the revisions in said Results Framework and Monitoring, please sign the Amended and Restated Supplemental Letter No. 2 and return it to us.

4. A revised Disbursement Letter (Additional Instructions: Disbursement) reflecting the use of a separate Designated Account for each of International Financial Institutions for better monitoring is attached in Annex 3 to this Amendment.

All other provisions of the Loan Agreement, except as expressly amended herein, shall remain unchanged and shall continue to be in full force and effect.
Please confirm your agreement with the foregoing amendments on behalf of the Republic of Serbia, by signing, dating, and returning to us the enclosed copy of this Amendment. Upon receipt by the Bank of: (i) a countersigned copy of this Amendment; and (ii) the Amended and Restated Supplemental Letter No. 2, this Amendment will become effective as of July 1, 2014.

Sincerely,

Ellen Goldstein
Country Director, Southeast Europe
Europe and Central Asia Region

Annexes:
1. Revised Schedule 4 (Disbursement Linked Indicators) of the Loan Agreement,
2. Revised Attachment to Supplemental Letter No. 2 (Performance and Monitoring Indicators); and
3. Revised Disbursement Letter

CONFIRMED AND AGREED:
REPUBLIC OF SERBIA

By: 
Authorized Representative
Name: DUSAN VUJOVIĆ
Title: MINISTER OF FINANCE
Date: Feb 3, 2015
Cc:  H.E. Ms. Zorana Mihajlović, Deputy Prime Minister and Minister of Construction, Transport and Infrastructure
Mr. Miodrag Poledica, State Secretary, Ministry of Construction, Transport and Infrastructure
Mr. Dejan Trifunović, State Secretary, Ministry of Construction, Transport and Infrastructure
Mr. Branko Đrčelić, Director of Public Debt Administration, Ministry of Finance
Mr. Zoran Drobnjak, Director General, Public Enterprise Roads of Serbia
Mr. Slavoljub Tubić, Deputy Director, PE Roads of Serbia
Ms. Verica Ignjatović, Assistant Minister, Ministry of Finance
Mr. Jorg Frieden, Executive Director, The World Bank
Mr. Vlajko Senić, Advisor to Executive Director, The World Bank
## Annex 1
### Revised Schedule 4
### Disbursement Linked Indicators

<table>
<thead>
<tr>
<th>KM of road rehabilitated and safety measures incorporated under the Project (cumulative)</th>
<th>12/2015</th>
<th>12/2016</th>
<th>12/2017</th>
<th>12/2018 extension</th>
<th>Total Disbursement Amount (million Euros)</th>
<th>Disbursement as a percentage of total loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLI 1: Road Rehabilitation &amp; Safety</td>
<td>DLI 1.1</td>
<td>DLI 1.2</td>
<td>DLI 1.3</td>
<td>DLI 1.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>125</td>
<td>203</td>
<td>576</td>
<td>795</td>
<td></td>
<td>46.58%</td>
</tr>
<tr>
<td>Disbursement amount due (million Euros) / percent</td>
<td>13.87</td>
<td>11.38</td>
<td>7.34</td>
<td>1.78</td>
<td>34.38</td>
<td></td>
</tr>
</tbody>
</table>

### 2. DLI 2: Road safety actions

| DLI 2A: Road safety inspections contract signing: and km of roads covered by road safety inspection and low cost road safety measures implemented (cumulative) | DLI 2A.1 Road Safety inspection Contract Signed | DLI 2A.2 750 km inspected & 250 km safety measures implemented | DLI 2A.3 1,000 km inspected & 500 km safety measures implemented | DLI 2A.4 700 km safety measures implemented | |
|---|---|---|---|---|---|---|
| DLI 2B: Capacity building and awareness campaigns | DLI 2B.1 20 persons certified to do road safety audit/inspection | DLI 2B.2 awareness campaigns in 20 schools in vicinity of project roads |  |
| Disbursement amount due (million Euros) / percent | 6.93 | 5.69 | 3.67 | 0.89 | 17.19 | 23.29% |

**3. DLI 3: Maintenance Management reforms**

| DLI 3.1 Adoption of revised maintenance & rehabilitation design standards; |  |
| DLI 3.2 Preparation of strategic plan for the introduction of PBMC; | DLI 3.4 PBMC for an additional 1,000 km competitively tendered; | DLI 3.6 PBMC for an additional 1,050 km competitively tendered; |  |
| DLI 3.3 PBMC for 1,000 km competitively tendered | DLI 3.5 PBMC for 1,000 km in implementation | DLI 3.7 PBMC for an additional 1,000 km in implementation |  |

| Disbursement amount due (million Euros) / percent | 6.93 | 5.69 | 3.67 | 0.89 | 17.19 | 23.29% |

**TOTAL Disbursement amount** 27.734 22.762 14.685 3.569 68.75 93.16%
Dear Sirs and Mesdames:

This refers to paragraph A.1, Section II of Schedule 2 to the Loan Agreement between the Republic of Serbia (the Borrower) and the International Bank for Reconstruction and Development (the Bank) for the above-captioned Project. The Borrower hereby confirms to the Bank that the indicators set out in the attachment to this letter shall serve as a basis for the Borrower to monitor and evaluate the progress of the Project and the achievement of the objectives thereof.

Very truly yours,

REPUBLIC OF SERBIA

By

Authorized Representative

Attachment
Revised Attachment to Supplemental Letter No. 2  
IBRD Loan No. 8255-YF

Performance and Monitoring Indicators

**Project Development Objective (PDO):**

To improve the condition and safety of the National Road Network for road users by supporting the Republic of Serbia in the implementation of the first phase of its National Road Network Rehabilitation Program.

<table>
<thead>
<tr>
<th>Measure</th>
<th>Baseline</th>
<th>Cumulative Target Values**</th>
<th>Frequency</th>
<th>Data Source/Methodology</th>
<th>Responsibility for Data Collection</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revised PDO Level Results Indicators</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduction in road traffic accidents with fatalities on the improved roads in the first phase of NRNRP</td>
<td>□ Percentage</td>
<td>100%</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Improvement in road conditions measured by a reduction in the average IRI for the roads in the first phase of NRNRP</td>
<td>□ IRI</td>
<td>5.56</td>
<td>5.56</td>
<td>4.81</td>
<td>4.72</td>
</tr>
</tbody>
</table>

<p>| <strong>Revised Intermediate Result Indicators</strong> | | | | | |
| Road Condition Survey Completed on National Roads | □ Kilometres | 0.00 | 0.00 | 0.00 | 2000 | 5000 | 7000 | 9000 | Annual | Road Survey Consultant Report | PERS |
| Implementation of a circular for the preparation of rehabilitation programs based on socio-economic &amp; regional considerations | □ Text | None, except for on IFI funded projects | Annual | Implementation of a circular | PERS | PERS |
| PBMC Contracts in Implementation | □ Kilometres | 600 | 600 | 600 | 600 | 1,500 | 2,000 | 3,000 | Annual | Performance Audit Report | PERS |
| Roads rehabilitated, Non-rural | □ Kilometres | 0 | 110 | 253 | 453 | 820 | 1,100 | Annual | Performance Audit Report, PERS | PERS |</p>
<table>
<thead>
<tr>
<th>Safety Inspection of National Roads beyond the first phase of NRNRP</th>
<th>Kilometers</th>
<th>0</th>
<th>200</th>
<th>400</th>
<th>700</th>
<th>1000</th>
<th>Annual</th>
<th>PERS, Performance Audit Report</th>
<th>PERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roads in good and fair condition as a share of total National Roads</td>
<td>Percentage</td>
<td>58.80</td>
<td>58.8</td>
<td>59.20</td>
<td>59.80</td>
<td>61.00</td>
<td>62.00</td>
<td>63.50</td>
<td>Annual</td>
</tr>
<tr>
<td>Size of the total classified network</td>
<td>Kilometers</td>
<td>16,900</td>
<td>16,900</td>
<td>16,900</td>
<td>16,900</td>
<td>16,900</td>
<td>16,900</td>
<td>Annual</td>
<td>PERS</td>
</tr>
</tbody>
</table>
Annex 3
Revised Disbursement Letter

Re: IBRD Loan 8255-YF (Serbia Road Rehabilitation and Safety Project)
Additional Instructions: Disbursement

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION
1818 H Street N.W. Washington, D.C. 20433
U.S.A.

(202) 473-1000
Cable Address: INTBAFRAD

INTERNATIONAL DEVELOPMENT ASSOCIATION
Cable Address: INDEVAS

January 15, 2015

H.E. Mr. Dušan Vujović
Minister
Ministry of Finance
Government of the Republic of Serbia
Kneza Miloša 20, 11000 Belgrade
Republic of Serbia

Your Excellency:

Re: IBRD Loan 8255-YF (Serbia Road Rehabilitation and Safety Project) Additional Instructions: Disbursement.

First Amendment to the original disbursement letter dated November 27, 2013

I refer to the Loan Agreement between the International Bank for Reconstruction and Development (the “Bank”) and the Republic of Serbia (the “Borrower”) for the above-referenced project, dated November 27, 2013. The Agreement provides that the Bank may issue additional instructions regarding the withdrawal of the proceeds of Loan 8255-YF (“Loan”). This letter (“Disbursement Letter”), as revised from time to time, constitutes the additional instructions.

The attached World Bank Disbursement Guidelines for Projects, dated May 1, 2006, (“Disbursement Guidelines”) (Attachment 1), are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Loan is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

I. Disbursement Arrangements

(i) Disbursement Methods (section 2). The following Disbursement Methods may be used under the Loan:

- Advance

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is the Closing Date specified in the Loan Agreement. Any changes to this date will be notified by the Bank.
(iii) Disbursement Conditions (subsection 3.8). Please refer to the Disbursement Condition(s) in the Loan Agreement.

II. Withdrawal of Loan Proceeds

(i) Authorized Signatures (subsection 3.1).
An authorized signatory letter in the Form attached (Attachment 2) should be furnished to the Bank at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank
1818 H Street, N.W.
Washington, DC 20433
United States of America
Attention: Ellen Goldstein, Country Director and Regional Coordinator for Southeast Europe

(ii) Applications (subsections 3.2 - 3.3). Please provide completed and signed applications for withdrawal, together with supporting documents to the address indicated below:

The World Bank
Radnicka cesta 80, 9th floor
Zagreb, HR - 10 000, Croatia.
Attention: Disbursement Management Group

(iii) Electronic Delivery (subsection 3.4) The Bank may permit the Borrower to electronically deliver to the Bank Applications (with supporting documents) through the Bank’s Client Connection, web-based portal. The option to deliver Applications to the Bank by electronic means may be effected if: (a) the Borrower has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification devices (“Tokens”) from the Bank for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Borrower have registered as users of Client Connection. If the Bank agrees, the Bank will provide the Borrower with Tokens for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (https://clientconnection.worldbank.org). The Borrower may continue to exercise the option of preparing and delivering Applications in paper form. The Bank reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Borrower.

(iv) Terms and Conditions of Use of Tokens to Process Applications. By designating officials to accept Tokens and by choosing to deliver the Applications electronically, the Borrower confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation (“Terms and Conditions of Use of Tokens") provided in Attachment 4; and (b) to deliver the Terms and Conditions of Use of Tokens to each such official and to cause such official to abide by those terms and conditions.

(vi) Advances (sections 5 and 6).
- **Type of Designated Account[s] (subsection 5.3):** Segregated – exclusively for proceed from IBRD Loan 8255-YF

- **Currency of Designated Account[s] (subsection 5.4):** Euro

- **Financial Institution at which the Designated Account[s] Will Be Opened (subsection 5.5):** National Bank of Serbia

- **Ceiling (subsection 6.1):** forecast for 2 semesters as provided in the semi-annual Interim Financial Report

III. Reporting on Use of Loan Proceeds

(i) **Supporting Documentation (section 4).** Supporting documentation should be provided with each application for withdrawal as set out below:

- **For requests for reporting eligible expenditures paid from the Designated Account:**
  - Interim Financial Report in the form attached (Attachment 3), which include a list of all payments made against contracts that are subject to the Bank’s prior review
  - As applicable, formal notification by the Bank to the Borrower that it has accepted evidence of achievement of a specific DLI(s).

IV. Other Disbursement Instructions

For the World Bank’s share – as per the financing percentage stipulated in the Loan Agreement - of eligible expenditures reported for a given period/semester, the following procedures will apply:

- The project will disburse exclusively on the basis of semi-annual IFRs, in Euro.

- The first advance will be exclusively on the basis of a cash-flow forecast for first two semesters (reporting periods) of implementation.

- Semi-annual IFRs will be submitted to the World Bank 45 days after the end of the respective semester; advances may be made on the basis of any IFR and cash-flow forecasts.

In addition, and specifically regarding Disbursement Category 1of the Loan Agreement, the following procedures will also apply:

- Conversion of advances into disbursements will be made only on an annual basis (even number reporting periods; IFR reporting for Semesters 2, 4, 6...), upon confirmation of performance against specific DLIs and documentation of eligible expenditures through IFRs.

- Confirmation of performance against specific DLIs will be attested by the Bank’s Task Team, to the Borrower and will be submitted to the World Bank as part of the withdrawal application.

- For each reporting period where a conversion of advances into disbursements will be occur, the IFR will necessarily include an apportionment of eligible expenditures, for the period, to the World Bank, to the European Investment Bank and to the Borrower.
There will be 3 DLIs, all linked to Disbursement Category 1 of the Loan Agreement: Disbursement Category 1 of the Loan Agreement includes Parts 1 and 2 of the project. DLI 1 – Road Rehabilitation and Safety which is linked to Part 1 of the Project; DLI 2 – Road Safety Actions which is linked to Part 2 of the Project and DLI 3 – Maintenance Management Reforms, is also linked to Part 2 of the Project.

DLI 1, 2 and 3, which are linked to the same Disbursement Category 1, may, during the life of the project, cap disbursements from this category on the basis of performance against each of the three DLIs as follows: Euro 34.38M for DLI 1 related performance; Euro 17.19M for DLI 2 related performance; Euro 17.19M for DLI 3 related performance, as per the table below:

<table>
<thead>
<tr>
<th>(Euro Millions)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLI #1</td>
<td>34.38</td>
</tr>
<tr>
<td>DLI #2</td>
<td>17.19</td>
</tr>
<tr>
<td>DLI #3</td>
<td>1719</td>
</tr>
<tr>
<td>Overall Cap</td>
<td>68.75</td>
</tr>
</tbody>
</table>

Monitoring of performance against the three DLIs will be undertaken by the Bank’s Task Team.

These overall caps per DLI are consistent with the Loan Agreement’s withdrawal table and the total coincides with the total amount allocated to Disbursement Category 1.

For DLIs for which the determination of achievement takes a binary form (yes/no) (e.g., DLI 2A.1; DLI 3.1; DLI 3.2), the full financial value of the prior advances related to the DLIs for a given year will be converted into disbursements upon the Bank’s review and the confirmation of the eligibility of these expenditures. If these DLIs are not met in the year, the Bank will not recognize the prior advances as eligible expenditures or convert them into amounts disbursed for that year; these amounts will be carried forward as outstanding advances. The Bank may also reduce the amount of subsequent advances requested from the Borrower.

For DLIs that are scalable (downward/upward scalability – including DLI 1; DLI 2A.2, DLI 2A.3; DLI 2A.4; and DLI 2A.5), in the event that targets have not been fully met (downward scalability), the Bank will only proportionally recognize and convert prior advances into disbursements upon the Bank’s review and the confirmation of the eligibility of these expenditures. (Proportionally means using the same percentage of achievement of the DLI relative to the baseline target as presented in Schedule 4 of the Financing Agreement). The amount of the prior advances that are not recognized and converted into disbursed amounts will carry forward as outstanding advances. The Bank may also reduce the amount of subsequent advances requested from the Borrower.

If targets of scalable DLIs are exceeded (upward scalability) relative to the baseline targets (see Schedule 4 of the Financing Agreement), the Bank will recognize that the baseline has been met and will recognize the marginal amount of the target that has been exceeded. This will be counted against the future year targets – see Schedule 4 of the Financing Agreement) the Bank will recognize and convert the full amount of prior advances into disbursements upon the Bank’s review and the confirmation of the eligibility of these expenditures. The Bank will also recognize, proportionally and relative to the marginal difference that the baseline target had been exceeded, an additional amount of disbursement that will be made upon the Bank’s review and the
confirmation of the eligibility of these expenditures. Regardless the level of performance against DLIs, the Bank will not recognize eligible expenditures in excess of the amounts reported through IFRs.

- At the end of each second semester reporting period when DLIs have been submitted to the Bank for review, the Borrower will submit an updated table in the form of Schedule 4 of the Loan Agreement, reflecting updated DLI targets (figures and amounts) for review and no objection by the Bank.

V. Other Important Information


From the Client Connection website, you will be able to prepare and deliver Applications, monitor the near real-time status of the Loan, and retrieve related policy, financial, and procurement information.

If you have not already done so, the Bank recommends that you register as a user of the Client Connection website (https://clientconnection.worldbank.org). From this website you will be able to prepare and deliver Applications, monitor the near real-time status of the Loan, and retrieve related policy, financial, and procurement information. All Borrower officials authorized to sign and deliver Applications by electronic means are required to register with Client Connection before electronic delivery can be effected. For more information about the website and registration arrangements, please contact the Bank by email at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact Jose Janeiro, Senior Finance Officer at jjaneiro@worldbank.org using the above reference.

Sincerely,

Ellen Goldstein
Country Director, Southeast Europe
Europe and Central Asia Region

Attachments: All attachments as per the original disbursement letter dated November 27, 2013, remain valid.
Cleared with and cc: Ignacio Jauregui, Country Lawyer
Moustafa Baher El-Hefnawy, Task Team Leader

Cc with copies: Public Enterprise Roads of Serbia
Bulevar kralja Aleksandra 282
11000 Belgrade, Republic of Serbia
office@putevi-srbije.rs

Tel: +381 11 30 40 700
Fax:+381 11 30 40 699
Bcc: Serbia DL; ECA GPMs; ECA GPPLs; ECADE Roster; ECAVP Managers; ECACA Sector Staff; LOA-ECA; FINCR ECA; El-Hifnawi; Janeiro; Jauregui; Allen; Vukanović; Collin; Ryskulova; Stanić; Canli; Laygo