Loan Agreement

(Second Serbia Health Project)

between

REPUBLIC OF SERBIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 10, 2014
LOAN AGREEMENT

Agreement dated JUly 10, 2014, 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 twenty nine million one hundred thousand Euros (EUR 29,100,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 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 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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.

2.05. The Payment Dates are February 1 and August 1 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
2.07. (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, 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 objectives of the Project. To this end, the Borrower shall carry out the Project through the Borrower’s Ministry of Health in accordance with the provisions of Article V of the General Conditions.

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 Coordination Unit shall be established, within the Borrower’s Ministry of Health, with terms of reference, resources and staff satisfactory to the Bank, including a project coordinator, a financial management specialist a procurement specialist, and an environmental specialist.
(b) The Project Operations and Grants Manual, in form and substance acceptable to the Bank, shall be adopted by the Borrower through the Ministry of Health and the Health Insurance Fund.

4.02. The Effectiveness Deadline is the date 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, \textit{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 248423(MCI) or 1-202-477-6391  
Washington, D.C. 64145(MCI)
AGREED at Belgrade, Republic of Serbia as of the day and year first above written.

REPUBLIC OF SERBIA

By

[Signature]

Authorized Representative

Name: LAZAR KRSTIC

Title: MINISTER OF FINANCE

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

[Signature]

Authorized Representative

Name: Anteunas Vrbevijju

Title: Working Manager
SCHEDULE 1

Project Description

The objective of the Project is to contribute to improving the efficiency and quality of the public health system of the Republic of Serbia through the strengthening of: (i) health financing, purchasing, and maintenance systems; and (ii) quality improvement systems and management of selected priority non-communicable diseases.

The Project consists of the following parts:

Part 1. Improvement of Health Financing

(a) Support Hospital Financing Reforms

Strengthen transparency of and incentives for efficiency of the Health Insurance Fund financing for public hospitals through (i) carrying out a phased implementation of a DRG payment system, including conducting a DRG costing exercise and building awareness and capacity of public hospitals’ staff for the implementation of said payment system; (ii) carrying out a gradual shift of hospital acute care financing from inputs to DRGs; (iii) improving the information systems, through upgrades to central systems, and software installation or upgrades, as the case may be, at selected hospitals; (iv) supporting amendments to regulations and by-laws that give effect to the hospital financing reforms; and (v) providing technical advice on options to improve efficiency of financing for non-acute care in hospitals and governance arrangements to strengthen management in hospitals.

(b) Strengthen Primary Health Care Financing

Improve the efficiency and quality of preventive and certain other primary care services through: (i) strengthening the incentives for performance in the Health Insurance Fund health provider payment mechanisms through refinement of performance criteria for variable payments made to health workers; (ii) designing and piloting implementation of Quality Improvement Sub-grants for improvement of quality of health care, including increased access to health care and preventive services by vulnerable groups (such as Roma, the elderly, and the disabled); (iii) strengthening implementation and monitoring capacity of primary health care financing reforms through development of transition plans for capitation financing to Primary Health Care Centers and development of managerial capacity and skills for Primary Health Care Centers; and (iv) develop proposals for amendments to regulations and by-laws that give effect to the primary care financing reform.
Part 2. Efficient Purchasing of Pharmaceutical and Medical Products

(a) Establish a Centralized Procurement System

Develop and implement a centralized system for the procurement of pharmaceuticals, medical supplies, diagnostic reagents and medical equipment through:

(i) carrying out a competitive tendering process for multi-source items and reference pricing for single-source items; (ii) developing specific framework agreements to be entered by the Health Insurance Fund and suppliers within the centralized procurement system; (iii) carrying out pilot testing of:

(A) e-prescription system and modules for Primary Health Care Centers, hospitals, Health Insurance Fund, and pharmacies;
(B) e-procurement system to support centralized procurement;
and (C) development and training of a unified information technology system for monitoring in-market availability and dispensing of pharmaceuticals; and (iv) developing proposals for amendments to regulations and by-laws that give effect to health sector procurement reform.

(b) Strengthen Health Technology Assessment Capacity

Strengthen the Borrower’s capacity to carry out improved Health Technology Assessment through:

(i) developing partnerships with relevant regional and international Health Technology Assessment organizations; (ii) strengthening the capacity of the relevant institutions of the Borrower, selected pursuant to the criteria set forth in the Project Operations and Grants Manual, to carry out improved Health Technology Assessment for pharmaceuticals and medical devices; (iii) developing proposals for strengthened institutional arrangements of the Borrower, including through amendments to regulations and by-laws for improved Health Technology Assessment; and (iv) supporting the establishment of a Health Technology Assessment unit within an entity of the Borrower to be selected by the Borrower and acceptable to the World Bank, based upon the institutional arrangements developed under the preceding sub-section (iii).

(c) Improve Medical Equipment Maintenance Systems

Support the improvement of the Ministry of Health maintenance system through:

(i) carrying out a preliminary assessment of the existing (A) system of distribution of medical equipment; (B) procedures for medical equipment maintenance and repair management; (C) cost and allocation of maintenance funds; and (D) procurement of spare parts and equipment maintenance and repair services; (ii) on the basis of the outcome of the preliminary assessment in (i) above, supporting the establishment of a governmental agency for medical technology management; and (iii) selecting a qualified Independent Service Organization for the provision of highly qualified multi-vendor maintenance services on a pilot basis to selected hospitals.
Part 3. Strengthen Quality of Service Delivery

(a) Strengthen Quality Improvement Systems

Support the Ministry of Health to: (i) develop national clinical practice guidelines aligned with international standards; (ii) based on the national clinical practice guidelines referred in (i), develop clinical pathways covering priority disease areas and carry out a phased implementation of said clinical pathways in selected hospitals and Primary Health Care Centers; (iii) provide targeted support, with the support of National Agency for Accreditation of Health Care Institutions, to selected Primary Health Care Centers for the improvement of quality of provision of health care for priority services, through the provision of training and technical assistance; (iv) support the improvement of reporting and use of information on service quality and efficiency at the Ministry of Health, Health Insurance Fund, Institute of Public Health, and Regional Institutes of Public Health, (v) implement a Health Management Information System, and strengthen the national e-health development framework; and (vi) develop proposals for amendments to regulations and by-laws that give effect to the quality of service delivery reforms.

(b) Improve Cancer Management

Increase the coverage and quality of radiation therapy cancer treatment at specialized tertiary oncology centers, selected pursuant to criteria set forth in the POGM, through: (i) procurement and installation of a number of accelerators determined pursuant to criteria set forth in the POGM, and associated equipment and works; and (ii) supporting the improvement of monitoring of patient outcomes and the strengthening of the national cancer registry system, through training, information systems, and technical assistance.


Carry out Project management, monitoring and evaluation activities, audits, and financing of Operating Costs, studies, and Training.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall assign day to day implementation and management of the Project to its Ministry of Health, through the PCU.

2. The Borrower, through the Ministry of Health, shall maintain, throughout Project implementation, the PCU with terms of reference, staff and resources satisfactory to the Bank.

3. The PCU shall be responsible for organizing quarterly Project review meetings to be called by the Ministry of Health, and attended by relevant officials of the Ministry of Health, Institute of Public Health, Regional Institutes of Public Health, Health Insurance Fund, and key Project stakeholders.

4. The Borrower, through the Ministry of Health, shall ensure that the Health Insurance Fund assists in the implementation of the Project by carrying out the technical activities under Parts 1 and 2(a) of the Project.

5. The Borrower, through the Ministry of Health, shall ensure that the National Agency for Accreditation of Health Care Institutions assists in the implementation of the Project by carrying out technical activities under Part 2(b) and Part 3(a) of the Project.

6. The Borrower, through the Ministry of Health, shall ensure that the Institute of Public Health provides technical support to the Ministry of Health in the carrying out of activities under Parts 1, 2(a) and 3 of the Project.

7. The Borrower, through the Ministry of Health, shall ensure that the Regional Institutes of Public Health assist in the implementation of the Project in their respective areas or regions by carrying out technical activities under Part 1, Part 2(b) and Part 3 of the Project.

8. No later than 30 days after the Effective Date, the Borrower, through the Ministry of Health, shall formally establish and shall thereafter maintain, the Project Policy Board, with terms of reference, staff and resources satisfactory to the Bank. The Project Policy Board, which shall be headed by the Minister of Health, shall serve a deliberative and advisory function to the Project, and shall include senior representatives from the Ministry of Health, Health Insurance
Fund, the Institute of Public Health, Regional Institutes of Public Health, and the Ministry of Finance.

B. Anti-Corruption

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

C. Project Operations and Grants Manual

1. The Borrower, through the Ministry of Health, the PCU, the Health Insurance Fund, the National Agency for Accreditation of Health Care Institutions, the Institute for Public Health, and the Regional Institutes of Public Health, shall carry out the Project in accordance with the provisions and requirements of an operational manual, in form and substance satisfactory to the Bank (“Project Operations and Grants Manual” or “POGM”), which shall include, inter alia, the following:

   (a) institutional coordination and implementation arrangements and procedures for the Project;

   (b) financial management and procurement procedures for the Project;

   (c) arrangements for monitoring, evaluation, and reporting of Project implementation;

   (d) such other administrative, financial, technical and organizational arrangements, requirements and procedures as shall be required for the Project, and

   (e) a grants manual satisfactory to the Bank, which shall include, inter alia, the following:

      (i) eligibility criteria for Beneficiary Primary Health Care Centers;

      (ii) procedures and conditions for approval, monitoring, evaluation, and reporting of Quality Improvement Sub-grants;

      (iii) financial management procedures and arrangements; and

      (iv) implementation timetable for carrying out Part 1 (b) of the Project.
2. The Borrower shall not assign, amend, abrogate or waive the POGM, or any of its provisions, without the Bank’s prior agreement. In case of any conflict between the terms of the POGM and those of this Agreement, the terms of this Agreement shall prevail.

D. Quality Improvement Sub-grants

1. For the purposes of carrying out Part 1(b) of the Project, the Borrower shall, through the Ministry of Health and with technical oversight by the Health Insurance Fund, make available Quality Improvement Sub-grants to Beneficiary Primary Health Care Centers under a Quality Improvement Sub-grant Agreement, on terms and conditions satisfactory to the Bank, and detailed in the POGM.

2. The Borrower, shall take all measures necessary to ensure that, in making the Quality Improvement Sub-grants available to Beneficiary Primary Health Care Centers, the Ministry of Health shall obtain rights adequate to protect the interests of the Borrower and those of the Bank, including the right to: (a) suspend or terminate the right of the Beneficiary Primary Health Care Centers to use the proceeds of the Quality Improvement Sub-grant, or obtain a refund of all or any part of the amount of the Quality Improvement Sub-grant then withdrawn, upon the Beneficiary Primary Health Care Centers’ failure to perform any of its obligations under the Quality Improvement Sub-grant Agreement; and (b) require each Beneficiary Primary Health Care Center to: (i) carry out the activities for which the Quality Improvement Sub-grant was given with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, standards and practices satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to the recipients of loan proceeds other than the Borrower; (ii) provide, promptly as needed, the resources required for the purpose of the Quality Improvement Sub-grant; (iii) procure the goods, works and services to be financed out of the proceeds of the Quality Improvement Sub-grant in accordance with the provisions of this Agreement; (iv) upon reasonable request, enable the Borrower and the Bank to inspect the activities, its operation and any relevant records and documents; and (v) prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing.

3. In case of any conflict among the terms of the Quality Improvement Sub-grant Agreement and this Agreement, the provisions of this Agreement shall prevail.
E. **Safeguards**

1. The Borrower, through the Ministry of Health, shall ensure that the Project is carried out in accordance with the provisions of the EMF, and applicable EMPs. The Borrower shall not assign, amend, abrogate, or waive the EMF or any EMPs, or any provision thereof, without prior approval of the Bank.

2. For purposes of Part 3 of the Project, prior to the issuance of the bidding documents for the works contract for each accelerator, the Borrower, through the Ministry of Health, shall prepare and submit to the Bank for its approval: (a) the proposed design and site for said works, and the related site-specific EMP in form and substance satisfactory to the Bank; and (b) the draft contract for said works, ensuring that the provisions of the site-specific EMP are adequately included in said contract.

3. The Borrower, through the Ministry of Health, shall: (a) ensure that all activities undertaken for purposes of carrying out the Project comply with environmental, health and safety standards and guidelines set forth in the EMF; (b) ensure that the selection of any accelerator site under Part 3 of the Project is done in accordance with the EMF; (c) ensure the complete implementation of the EMPs in a manner satisfactory to the Bank, including all necessary measures to minimize and to mitigate any adverse environmental, health and safety impacts caused by the implementation of the Project; (d) ensure that no private land acquisition or any resettlement takes place in connection with the Project; and (e) ensure that appropriate grievance redress mechanisms are available to interested parties, including local communities, in connection with inconveniences associated with any works under the Project, and that such interested parties are informed of the availability of such grievance redress mechanisms.

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

A. **Project Reports**

The Borrower, through the Ministry of Health, 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 quarter, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.
B. Financial Management, Financial Reports and Audits

1. The Borrower, through the Ministry of Health, 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 the Ministry of Health, shall prepare and furnish to the Bank not later than forty five days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.

3. The Borrower, through the Ministry of Health, shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions and agreed audit terms of reference. Each audit of the Financial Statements 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, Works and Non-consulting Services. All goods, works 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, Works and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

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

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-and-Cost-Based Selection; (b) Quality-based Selection; (c) Selection under a Fixed Budget; (d) Least Cost Selection; (e) Selection based on Consultants’ Qualifications; (f) Single-source Selection of consulting firms: (g) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (h) Single-source procedures for the 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), 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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in EUR)</th>
<th>Percentage of Expenditures to be financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, Operating Costs, Training and consultants’ services for the Project (except for goods and works for Part 3(b) (i)), including audit, and for Quality Improvement Sub-grants.</td>
<td>15,617,600</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods and works for Part 3(b)(i)</td>
<td>13,409,650</td>
<td>100% (exclusive of Taxes)</td>
</tr>
<tr>
<td>(3) Front-end Fee</td>
<td>72,750</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
</tbody>
</table>

Total Amount: 29,100,000

For purposes of this table:

(a) “Operating Costs” means the reasonable and incremental expenses incurred by the PCU on account of Project implementation, based on periodic budgets acceptable to the Bank, for the maintenance and leasing of vehicles and equipment, for fuel, office supplies and other consumables, vehicle and equipment insurance, office rent, internet connection and communications costs, support for information systems, translation costs, bank charges, utilities, and travel, transportation, per diem and accommodation costs (other than for Training), and other reasonable expenditures directly associated with
implementation of Project activities. Incremental expenses will not include salaries of officials of the Borrower's civil service.

(b) “Training” means expenditures (other than for consultants’ services and non-consulting 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 (which may include officials of the Borrower’s civil service) 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 paragraph.

(c) “exclusive of Taxes” means, in connection with Section 2.06 of the General Conditions, that the Loan proceeds shall not be used for financing of Taxes levied by, or in the territory of the Borrower on or in respect of Eligible Expenditures, or on their importation, manufacture, procurement or supply.

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.

2. The Closing Date, after which the Bank may terminate the right of the Borrower to withdraw from the Loan Account in accordance with the General Conditions, is September 30, 2019. Notwithstanding the foregoing, and in accordance with the General Conditions, the Bank may establish a later date for the purpose, by notice to the Borrower.

Section V. Other Undertakings

No later than thirty (30) days after the Effective Date, the Borrower, through the Ministry of Health, shall cause the PCU to have installed and operational, an accounting system and software satisfactory to the Bank.
Attachment
to
SCHEDULE 2

The procedures to be followed for National Competitive Bidding shall be those set forth in this Attachment to Schedule 2 of the Loan Agreement of even date hereto, between the International Bank for Reconstruction and Development, and the Republic of Serbia, provided, however that such procedure shall be subject to the provisions of Section 1 and Paragraphs 3.3 and 3.4 of the “Guidelines for Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” (January 2011) (the “Procurement Guidelines”), and the following additional provisions:

- “Open Tendering” procedures as defined in Public Procurement Law of Serbia shall apply to all contracts.
- 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 Recipient.
- Procuring entities shall use sample bidding documents approved by the Bank.
- In case of higher bid prices compared to the official estimate, all bids shall not be rejected without the prior concurrence of the World Bank.
- A single-envelope procedure shall be used for the submission of bids.
- 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.
- Bidders who contract as a joint venture shall be held jointly and severally liable.
- 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.
- Post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidders.
- Contracts of long duration (more than 18 months) shall contain appropriate price adjustment provisions.
• The bidding document and contract as deemed acceptable by the World Bank shall include provisions stating the World Bank’s policy to sanction firms or individuals, found to have engaged in fraud and corruption as defined in the Procurement Guidelines.

• In accordance with the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that bidders, suppliers and contractors, and their subcontractors, agents, personnel, consultants, service providers, or suppliers, shall permit the World 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 World Bank. Acts intended to materially impede the exercise of the World Bank’s inspection and audit rights provided for in the Procurement Guidelines constitute an obstructive practice as defined in the 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.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 1 and August 1</td>
<td></td>
</tr>
<tr>
<td>Beginning August 1, 2019 through and including February 1, 2029</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

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: a) 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 (b) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
APPENDIX

Section I. Definitions


2. “Beneficiary Primary Health Care Center” means a primary health care center in the territory of the Borrower determined to be eligible for receiving a Quality Improvement Sub-grant, in accordance with Section D of Schedule 2 to this Agreement and the Project Operations and Grants Manual.

3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


5. “Diagnosis-Related Group” or “DRG” means a statistical system of classifying any inpatient stay into groups for the purposes of hospital payments.

6. “Environmental Management Framework” or “EMF” means the Borrower’s Environmental Management Framework, dated October, 2013, consisting of the set of principles, rules, guidelines and procedures to assess the environmental, health and safety impacts and mitigation, monitoring, and institutional measures to be taken to eliminate adverse said environmental, health and safety impacts, offset them, or reduce them to acceptable levels, as well as actions and budget needed to implement these measures and a sample Environmental Management Plan.

7. “Environmental Management Plan” or “EMP” means a site-specific Environmental Management Plan prepared during the implementation of the Project, in accordance with the EMF, describing the environmental, health and safety mitigation measures anticipated for activities under Part 3 (b) of the Project and the parties responsible for monitoring of construction and operational environmental, health and safety impacts.


10. “Health Management Information System” means the health management information system to be implemented under Part 3(a) of the Project.

11. “Health Technology Assessment” means a systematic and transparent appraisal and deliberation process that uses criteria such as efficacy, cost-effectiveness, population health needs, and overall fiscal space to make decisions on the public reimbursement of medical technologies, devices and procedures.

12. “Independent Service Organization” means an entity providing repair and maintenance services on equipment supplied by third party manufacturers.


14. “Ministry of Health” means the Borrower’s Ministry of Health or any successor thereto.


16. “PCU” means the Project Coordination Unit, to be established within the Borrower’s Ministry of Health, in accordance with Section I.A.2 of Schedule 2 to this Agreement.

17. “Primary Health Care Center” means a Dom zdravlja, a primary health care center located in the territory of the Borrower.

19. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated January 15, 2014, 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.

20. “Project Policy Board” means the Project Policy Board, to be established by the Borrower, in accordance with Section I.A.8 of Schedule 2 to this Agreement.

21. “Quality Improvement Sub-grant” means the sub-grant made available to a Beneficiary Primary Health Care Center, for the purposes of Part 1(b)(ii) of the Project, in accordance with the provisions of the Grants Manual and Section D of Schedule 2 to this Agreement.

22. “Quality Improvement Sub-grant Agreement” means the agreement entered into by the Borrower and a Beneficiary Primary Health Care Center for the purposes of making a Quality Improvement Sub-Grant, in accordance with Section D of Schedule 2 to this Agreement.