HE Mr. Lazar Krstić
Minister
Ministry of Finance
Kneza Miloša 20
11000 Belgrade
Republic of Serbia

Re: Republic of Serbia: Loan No. 7464-YF (Bor Regional Development Project)
Amendment to the Loan Agreement

Dear Sir:

Please refer to the Loan Agreement (the “Loan Agreement”) dated July 27, 2007, entered into between the Republic of Serbia (the “Borrower”) and the International Bank for Reconstruction and Development (the “Bank”) (collectively, the “Parties”), for the above-referenced Project.

We refer to the Borrower’s letter dated September 7, 2012, and the letters from the Ministry of Energy, Development and Environmental Protection, dated November 19 and November 21, respectively. We understand the request from the Republic of Serbia may be summarized as follows: (i) reallocation of loan proceeds; (ii) extension of the Closing Date for activities other than those under Part 2 of the Project; (iii) restructuring of the Project to: (a) focus the activities only on the completion of the rehabilitation of the collector under the Veliki Krivelj Tailings Field 2; and (b) cancel any further activities related to the remediation of waste disposal areas and tailings disposal sites; and (iv) as a result of the Project restructuring, a cancellation of the surplus amount in the Loan account, which would no longer be required to finance Project costs.

I am pleased to inform you that the Bank concurs with your requests, and proposes the following amendment to the Loan Agreement, with respect only to the activities not affected by the original Closing Date of September 30, 2012, which are deemed cancelled as of that date:

I. Project Description

(1) Article III, Section 3.02 of the Loan Agreement incorporates by reference certain provisions of the Financing Agreement between the Parties for the Bor Regional Development Project dated July 27, 2007, Credit No. 4326-YF. The Parties agree that the amendment to said Financing Agreement as of the same date herewith, is hereby also incorporated and accepted as applicable to the Loan Agreement, as amended.

(2) As a result of Serbia’s decision not to extend the Closing Date for activities under Part 2 of the Project, references to Part 2 of the Project in the Loan Agreement shall not apply to the Project, as amended herein, and all provisions, including defined terms not amended herein, in the Loan Agreement that apply to Part 2 of the Project, shall be deemed deleted to the extent they only apply to Part 2 of the Project, or shall be read without taking into account any implications to Part 2 of the Project.
II. Reallocation and Cancellation of Loan Proceeds

(1) As a result of the changes to the Project effected by the revision of Part 1 of the Project, and the partial extension of the Closing Date:

(a) The Bank hereby cancels, as of November 19, 2012, which is the date of receipt by the Bank of your notice of cancellation, the amount of thirteen million seventy thousand Euro (EUR 13,070,000), from the Loan Account, as follows, from the amounts stated in the table in Section A.2 of Schedule 2 to the Loan Agreement:

(i) eight million five hundred fifty-six thousand three hundred Euro (EUR 8,556,300) from Category 1;

(ii) the total undisbursed and uncommitted proceeds of the Loan under Part 2 of the Project, as follows:

(1) one million seventy-three thousand two hundred eighty Euro (EUR 1,073,280) from Category 2;

(2) one million one hundred sixty-six thousand nine hundred ten Euro (EUR 1,166,910) from Category 3; and

(3) one million nine hundred eighty-one thousand Euro (EUR 1,981,000) from Category 4;

(iii) two hundred ninety-two thousand five hundred ten Euros (EUR 292,250) from Category 8;

(b) The commitment charges on the total amount of thirteen million seventy thousand Euros (EUR 13,070,000) cease to accrue from November 19, 2012, which is the date of receipt by the Bank of your notice of cancellation; and

(c) The Bank hereby reallocates the remaining proceeds allocated in the table in Schedule 2, Section A, paragraph 2 of the Loan Agreement, as set out in Attachment 1 to this letter (including six hundred ninety-seven thousand seven hundred sixty Euros (EUR 697,760), which constitute part of the undisbursed and uncommitted proceeds under Category 1, to Category 5).

III. Project Performance Indicators

As a result of the restructuring of the Project in accordance with your request to revise Part 1 of the Project, reallocate Loan proceeds (and the cancellation associated to the redefinition of Part 1 of the Project), your intention not to extend implementation of activities under Part 2 of the Project beyond September 30, 2012, the Performance Monitoring Indicators laid out in Supplemental Letter No. 4 to the Loan Agreement require to be complemented in order to address the additional years of Project implementation for Parts 1 and 3 of the Project. Accordingly, Additional Supplemental Letter 4.1 for the Loan Agreement setting forth the Performance Indicators to be used for the years until the new Closing Date of the Project is attached hereto in Attachment 2.
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 Letter, and Additional Supplemental Letter No. 4.1. Upon receipt by the Bank of a countersigned copy of this Amendment Letter and the Supplemental Letter No. 4.1, the Amendment will become effective as of the date of the countersignature.

Sincerely,

By

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

CONFIRMED AND AGREED:

REPUBLIC OF SERBIA

By: [Signature]
Authorized Representative

Name: LAZAR KRSTIC

Title: MINISTER OF FINANCE

Date: 24/02/2014
## Withdrawal of Loan Proceeds

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in Euro)</th>
<th>Percentage of Expenditures to be financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Works and Consultants’ Services for Part 1 of the Project</td>
<td>6,099,940</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, Consultants’ Services and Training for Part 2(a) of the Project</td>
<td>2,656,890</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, Works, Consultants’ Services and Training for Part 2(b)(i) and (ii) of the Project</td>
<td>433,090</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Microfinance loan under Part 2(b)(iii) of the Project</td>
<td>500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Incremental Operating Costs, Consultants’ Services and training for Part 3 of the Project</td>
<td>1,537,760</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Front-end Fee</td>
<td>0</td>
<td>Amount payable pursuant to Section 2.04 of this Agreement in accordance with Section 2.07(b) of the General Conditions</td>
</tr>
<tr>
<td>(7) Premia for Interest Rate Caps and Interest Rate Collars</td>
<td>0</td>
<td>Amount payable pursuant to Section 2.08(c) of this Agreement in accordance with Section 4.04(c) of the General Conditions</td>
</tr>
<tr>
<td>(8) Unallocated</td>
<td>2,320</td>
<td></td>
</tr>
<tr>
<td>(9) Cancelled</td>
<td>13,070,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>24,300,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
Additional Supplemental Letter No. 4.1

REPUBLIC OF SERBIA

11 MAR 2014

__________________________, 2013

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

Re: Loan No. 7464-YF
    (Bor Regional Development Project)
    Performance Monitoring Indicators

Dear Sirs and Mesdames:

This refers to the provisions of Part A of Section II of the Schedule 2 to the Financing Agreement, as amended on even date here with, between the Republic of Serbia (the Borrower) and the International Development Association, incorporated by reference into the Loan Agreement, as amended on even date here with, between the Borrower and the International Bank for Reconstruction and Development (the Bank) by virtue of Section 3.02(a) of the Loan Agreement 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 an additional basis for the Borrower to monitor and evaluate the progress of the Project and the achievement of the objectives thereof, together with those indicators set out in the attachment to the Supplemental Letter No.4, dated July 27, 2007, for the above-captioned Project.

Very truly yours,

REPUBLIC OF SERBIA

__________________________
Authorized Representative

Attachments
Attachment to Additional Supplemental Letter No. 4.1

Bor Regional Development Project
Performance Monitoring Indicators

**Project Development Objective (PDO):**
The development objective of the project is to support the GoS' efforts to revive the depressed Bor region through: (i) dealing with urgent environmental and social legacy issues arising from mining sector restructuring; and (ii) fostering new sources of economic growth and job creation in the region.

**Revised Project Development Objective:**
The revised PDO for the restructured project is to support the GoS in addressing the structural hazard of the river water collector of the Veliki Krivelj tailings disposal facility, which is one of the most urgent environmental legacy issues of the mining sector in the Bor region.

<table>
<thead>
<tr>
<th>PDO Level Results Indicators*</th>
<th>Core</th>
<th>D=Dropped</th>
<th>C=Continue</th>
<th>N= New</th>
<th>R=Revised</th>
<th>Unit of Measure</th>
<th>Baseline</th>
<th>Cumulative Target Values**</th>
<th>Frequency</th>
<th>Data Source/Methodology</th>
<th>Responsibilit y for Data Collection</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Progres s to date</td>
<td>YR 6</td>
<td>YR 7</td>
<td>YR 8</td>
</tr>
<tr>
<td>Indicator One: Elimination of environmental risks related to poor state and possible failure of the Veliki Krivelj tailings facility’s collector for Kriveljska River discharge.</td>
<td>R</td>
<td>Text</td>
<td>Existing collector in need of replacement</td>
<td>-</td>
<td>Start of works</td>
<td>Works in progress</td>
<td>Safe alternative provided and river water rerouted</td>
<td>Quarterly Progress Reports; End-of-Project Impact Assessment</td>
<td>Consulting Reports, Works Supervision and Completion Reports</td>
<td>PIT</td>
<td></td>
</tr>
</tbody>
</table>

**INTERMEDIATE RESULTS**

**Intermediate Result (Project Part One):** (i) Remediation of most pressing environmental hazards resulting from past mining operations; (ii) Management of state environmental liabilities in a technically sound manner.

**Revised Intermediate Result (Project Part One):** Remediation of most pressing environmental hazards resulting from past mining operations

| Intermediate Result indicator One: Rehabilitation of Veliki Krivelj river by-pass / collector | Core | C | meters | 0 (design completed; works contractor selected) | 0 | 500 | 1800 | 2400 | Quarterly reports on progress of works | Consulting reports, works supervision reports | PIT |