November 9, 2010

H.E. Diana Dragutinović
Minister
Ministry of Finance
Belgrade
Republic of Serbia

Excellency:

Re: Bor Regional Development Project
(Credit No. 4326 YF)
Amendment to the Financing Agreement

We refer to the Financing Agreement between Republic of Serbia (the Borrower) and the International Development Association (the Association) for the above-referenced Project, dated July 27, 2007 (the Financing Agreement). We also refer to your letter dated October 22, 2010, requesting amendment to the Financing Agreement.

We are pleased to inform you that the Association hereby agrees to your request and amends the Financing Agreement as follows:

The definition of the term “Incremental Operating Costs” in paragraph 6 of the Annex to the Financing Agreement is amended to read:

"Incremental Operating Costs" means reasonable and necessary incremental expenditures, as approved by the Association on the basis of budgets acceptable to the Association, incurred by the PMU and LIUs with respect to Project implementation, management and monitoring, including staff and consultants’ remuneration, training, office space, office supplies, utilities and maintenance, communication, publication of procurement notices, vehicle operation, cost of Project audit, travel and supervision costs."

All other provisions of the Financing Agreement that have not been amended herewith shall remain unchanged.
Please confirm your agreement with the foregoing amendment by signing, dating and returning to us the attached copy of this Amendment Letter. This Amendment Letter will become effective as of the date of the countersignature, upon receipt by the Bank of the countersigned copy of this Letter.

Sincerely,

INTERNATIONAL
DEVELOPMENT ASSOCIATION

/s/ Loup Brefort
Country Manager for the Republic of Serbia
Europe and Central Asia Region

CONFIRMED:

REPUBLIC OF SERBIA

By: /s/ Diana Dragutinovi

Title: Minister of Finance

Name: Diana Dragutinovi

Date: November 15, 2010