September 20, 2013

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

Re: Republic of Serbia: IDA Credit No. 4326-YF (Bor Regional Development Project)
Amendment to the Financing Agreement

Dear Sir:

Please refer to the Financing Agreement (the “Financing Agreement”) dated July 27, 2007, entered into between the Republic of Serbia (the “Recipient”) and the International Development Association (the “Association”) (collectively, the “Parties”), as amended as of November 15, 2010, for the above-referenced Project.

We refer to the Recipient’s letter dated September 7, 2012, and the letters from the Ministry of Energy, Development and Environmental Protection, dated November 19 and November 21, 2012, respectively. We understand the request from the Republic of Serbia may be summarized as follows: (i) extension of Closing Date; and (ii) 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.

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

I. Project Description

(1) The first paragraph of Schedule 1 (Project Description) to the Financing Agreement is hereby amended to read as follows:

“The objective of the Project is to support the Government of Serbia 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.”
(2) Part 1 of Schedule 1 to the Financing Agreement is hereby revised in its entirety, and shall read as follows:

"Part 1: Remediation of Urgent Environmental Hazards"

"Mitigation of urgent environmental hazards remaining under direct management of the Recipient, including *inter alia*, financing of the works contract for construction of a new river water tunnel to by-pass and replace the old collector in the Veliki Krivelj mining tailings disposal facility."

(3) As a result of the amendment to Part 1 above, all references to "Part 1(b)" throughout the Financing Agreement are deemed to be references to "Part 1" only.

(4) As a result of the Republic 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 Financing Agreement shall be deleted from the Financing Agreement, as amended herein, and all provisions, including defined terms not amended herein, in the Financing Agreement that apply to Part 2 of the Project, shall be deemed deleted to the extent that 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. **Disbursement Category**

In reference to section 1.(3) above, the table in Section IV.A.2 of Schedule 2 to the Financing Agreement is hereby amended to reference Part 1 of the Project only to read in its entirety as set forth below:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Works, Goods, Consultants Services and Training for Part 1 of the Project</td>
<td>6,600,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>6,600,000</td>
<td></td>
</tr>
</tbody>
</table>

III. **Institutional Arrangements**

(1) Section I.A.1. of Schedule 2 to the Financing Agreement is hereby amended to read as follows:

"1. Except as the Association shall otherwise agree, Part 1 of the Project shall be carried out by MEDEP, and Part 3 of the Project shall be carried out by the PIT."
(2) Section I.A.3.(b) of Schedule 2 to the Financing Agreement is hereby amended to read as follows:

"(b) procurement."

(3) As a result of the amendment in paragraph (1) above, new definitions for MEDEP and PIT must be added to the Appendix to the Financing Agreement, as follows:

(a) “28. “MEDEP” means the Recipient’s Ministry of Energy, Development and Environmental Protection, and any successor thereto.” and

(b) “29. “PIT” means the Project Implementation Team established within the MEDEP, in charge of day-to-day implementation of the Project.”

(4) Except for the definition of “PMU” in the Appendix, and the provisions set forth in the new Section I.B.2(d) of Schedule 2 to the Agreement, all references to “PMU” throughout the Financing Agreement are deemed to be references to “PIT.”

(5) As a result of the closing of Part 2 of the Project as of September 30, 2012, there shall not longer be several LIUs under the Project, but just one, under the PIT. Therefore, the definition of “Local Implementation Units” or “LIUs” in the Appendix to the Financing Agreement shall be amended to read as follows:

“9. “Local Implementation Unit” or “LIU” means the unit referred to in Section 1 of Schedule 2 to this Agreement, established under the PIT, and responsible for assisting the PIT with managing activities at a local level.”

(6) As a result of the closing of Part 2 of the Project as of September 30, 2012, the Implementation Covenants set forth in Section I.B. of Schedule 2 to the Financing Agreement are hereby revised to reflect the Implementation Arrangements for the Project, as amended by the preceding paragraphs, as follows:

(a) The header of Section I.B.1. is hereby amended to read as follows: “1. Project Steering Committee”;

(b) Paragraph (b) of Section I.B.1 is no longer applicable insofar as it refers to activities under Part 2 of the Project, and is hereby deleted;

(c) The header of Section I.B.2 is hereby amended to read as follows: “2. PIT and LIU”;
(d) The dated covenant in paragraph (b) of Section I.B.2 is revised to read as follows:

“(b) not later than November 30, 2013, establish and maintain, or cause to be established and maintained, the LIU, under the PIT, for the entire duration of Project Implementation, with competent and adequate staff, sufficient and suitable financial and technical resources, and terms of reference satisfactory to the Association;”

(e) Paragraph (c) of Section I.B.2 is revised to read as follows:

“(c) ensure that the key staff of the PIT and LIU, including the coordinator and local team leader, shall not be changed without prior consultation with the Association;” and

(f) A new paragraph (d) under Section I.B.2 is added, and shall read as follows:

“(d) notwithstanding the provisions in paragraphs (a) through (c) above, ensure that the financial management functions of the PMU are maintained beyond November 30, 2013, until a transfer of said functions to the PIT, in a time and manner acceptable to the Association, is carried out.”

(g) Sections I.B.3, 4, 6, and 7 are no longer applicable insofar as they refer to activities under Part 2 of the Project, and are hereby deleted;

(h) As a result of the amendments to Part 1 of the Project, Section I.B.10, is no longer applicable, and is hereby deleted.

III. Project Performance Indicators

As a result of the restructuring of the Project in accordance with the Government’s request, the Performance Monitoring Indicators laid out in Supplemental Letter No 2 to the Financing 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 2.1 for the Financing 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 1.

All other provisions of the Financing 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 amendment on behalf of the Republic of Serbia, by signing, dating, and returning to us the enclosed copy of this letter, and Additional Supplemental Letter No. 2.1. Upon receipt by the Bank of a countersigned copy of this letter, and the Supplemental Letter No. 2.1, the Amendment will become effective as of the date of the countersignature.

Sincerely,

[Signature]

By

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

CONFIRMED AND AGREED:

REPUBLIC OF SERBIA

By: [Signature]

Authorized Representative

Name: [Signature]

Title: MINISTER OF FINANCE

Date: 24/02/2014
ATTACHMENT 1

Additional Supplemental Letter No. 2.1

REPUBLIC OF SERBIA

[DATE]

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Re: Credit No. 4326-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 International Development Association (the Association) and the Republic of Serbia (the Recipient) for the above-captioned Project.

The Recipient hereby confirms to the Association that the indicators set out in the attachment to this letter shall serve as an additional basis for the Recipient 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. 2, dated July 27, 2007, for the above-captioned Project.

Very truly yours,

REPUBLIC OF SERBIA

By DO NOT SIGN THIS
Authorized Representative

Attachments
**Attachment to Additional Supplemental Letter No. 2.1**

**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>Unit of 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></td>
<td>D=Dropped C=Continue N= New R=Revised</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></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>
</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

<table>
<thead>
<tr>
<th>Intermediate Result Indicator One: Rehabilitation of Veliki Krivelj river by-pass / collector</th>
<th>Core</th>
<th>Unit of 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></td>
<td>C</td>
<td>meters</td>
<td>0 (design completed; works contractor selected)</td>
<td>0</td>
<td>500</td>
<td>1800</td>
<td>2400</td>
</tr>
</tbody>
</table>
Additional Supplemental Letter No. 2.1

REPUBLIC OF SERBIA

11 MAR 2014

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Re: Credit No. 4326-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 International Development Association (the Association) and the Republic of Serbia (the Recipient) for the above-captioned Project.

The Recipient hereby confirms to the Association that the indicators set out in the attachment to this letter shall serve as an additional basis for the Recipient 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. 2, dated July 27, 2007, for the above-captioned Project.

Very truly yours,

REPUBLIC OF SERBIA

By ________________________
Authorized Representative

Attachments
<table>
<thead>
<tr>
<th>Indicator</th>
<th>Key Result(s) 1: Priority Action Plan</th>
<th>Key Result(s) 2: Priority Action Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicator 1: Elimination of Priority Action Plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indicator 2: Priority Action Plan</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Intermediate Results**

<table>
<thead>
<tr>
<th>Report Completion and Submission</th>
<th>Report Submission</th>
<th>Progress Increase</th>
<th>Indicator 1: Elimination of Priority Action Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsibility: Data Source</td>
<td>Frequency</td>
<td>YR 8</td>
<td>YR 7</td>
</tr>
<tr>
<td>Frequency</td>
<td>Progress</td>
<td>N=New</td>
<td>C=Cumulative Target Value</td>
</tr>
<tr>
<td>Frequency</td>
<td>Progress</td>
<td>N=New</td>
<td>C=Cumulative Target Value</td>
</tr>
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<td>Progress</td>
<td>N=New</td>
<td>C=Cumulative Target Value</td>
</tr>
</tbody>
</table>

Revised Project Development Objective:

- Issue arising from mining sector restructuring and (ii) maintaining new sources of economic growth and job creation in the region.
- The development objective of the project "is to support the GO( G-5) efforts in reviving the depressed Boro region through: (i) dealing with new environmental and social legacies.
- Performance Monitoring Indicators

Attachment to Additional Supplemental Letter No. 2