**LOAN NUMBER 9851- YF**

**Loan Agreement**

**(Serbia Inclusive Primary Education Improvement Project)**

**between**

**REPUBLIC OF SERBIA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION**

**AND DEVELOPMENT**

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date 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. The General Conditions (as defined in the Appendix to this Agreement) apply to   
     and form part of this Agreement.
  2. 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 the amount of sixty-six million three   
hundred thousand Euro (EUR 66,300,000), as such amount may be converted from   
time to time through a Currency Conversion (“Loan”), to assist in financing the   
Project.

* 1. The Borrower may withdraw the proceeds of the Loan in accordance with   
     Section III of Schedule 2 to this Agreement.
  2. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
  3. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
  4. The interest rate is the Reference Rate plus the Variable Spread or such rate as may   
     apply following a Conversion; subject to Section 3.02(e) of the General   
     Conditions.

2.06. The Payment Dates are April 15 and October 15 in each year.

2.07. The principal amount of the Loan shall be repaid in accordance with Section 3.03   
of the General Conditions and Schedule 3 to this Agreement.

**ARTICLE III — PROJECT**

* 1. The Borrower declares its commitment to the objectives of the Project. To this end,   
     the Borrower, through the Ministry of Education, shall carry out the Project in   
     accordance with the provisions of Article V of the General Conditions and   
     Schedule 2 to this Agreement.

**ARTICLE IV — EFFECTIVENESS; TERMINATION**

4.01. The Additional Condition of Effectiveness consists of the following, namely, that   
the Borrower, through the Ministry of Education, has adopted the Project   
Operations Manual, in accordance with the provisions of Section I.B.1 of Schedule   
2 to this Agreement.

4.02. The Effectiveness Deadline is the date one hundred and eighty (180) days after the Signature Date.

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

5.01. The Borrower’s Representative, who, *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. For purposes of Section 10.01 of the General Conditions:

(a) the Borrower’s address is:

Ministry of Finance

20 Kneza Milosa St.

11000 Belgrade

Republic of Serbia; and

(b) the Borrower’s Electronic Address is:

Facsimile: E-mail:

(381-11) 3618-961 [kabinet@mfin.gov.rs](mailto:kabinet@mfin.gov.rs)

5.03. For purposes of Section 10.01 of the General Conditions:

1. the Bank’s address is:

International Bank for Reconstruction and Development

1818 H Street, N.W.

Washington, D.C. 20433

United States of America; and

1. the Bank’s Electronic Address is:

Telex: Facsimile:

248423(MCI) or 1-202-477-6391

64145(MCI)

AGREED and signed in English as of the Signature Date.

**REPUBLIC OF SERBIA**

**By**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**/s1/

**Authorized Representative**

**Name:** Sinisa Mali /n1/

**Title:** Finance Minister /t1/

**Date**: 08-Sep-2025/d1/

**INTERNATIONAL BANK FOR**

**RECONSTRUCTION AND DEVELOPMENT**

**By**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**/s2/

**Authorized Representative**

**Name**: Nicola Pontara /n2/

**Title:** Country Manager /t2/

**Date**: 30-Aug-2025/d2/

**SCHEDULE 1**

**Project Description**

The objectives of the Project are to enhance the quality of the learning   
environments, and improve teaching quality and school management, in targeted primary   
schools across Serbia.

The Project consists of the following parts:

**Part 1**: **Strengthening Assessment and Teaching**

* 1. *Learning Assessments.* Provision of technical assistance and capacity building to   
     the Ministry of Education (MoE) and the Institute for Education Quality   
     Evaluation (IEQE) on the production and use of data on student learning including,   
     *inter alia*:

1. Development of the methodology for (and administration/ rollout of) at   
   least one paper-based national assessment for Grade 3 students, with an   
   initial focus on numeracy and reading.
2. Design and roll out of at least one digital national assessment for Grade 7   
   students, with an initial focus on numeracy and reading, through:   
   (i) conducting a feasibility study to assess the technical readiness of   
   schools for computer-based testing (CBT); (ii) choosing and setting up a comprehensive platform for test creation, administration, data collection,   
   and scoring; (iii) training staff to manage the CBT system;   
   (iv) conducting a pilot study in select schools to evaluate the platform's effectiveness; and (v) conducting the first official CBT-based assessment.
3. Carrying out a program of activities aimed at expanding the use of national assessment data such a program to include: (i) training IEQE staff in data   
   analysis and reporting, including the use of specialized software for item   
   response theory (IRT) analysis; (ii) training Ministry of Education and   
   Institute for Improvement of Education (IIE) staff to interpret and analyze national assessment data for policy reform purposes; (iii) training school principals and teachers in the sampled whole day schools (WDS) and   
   enriched single shift initiative (ESSI) schools to understand and act upon   
   the national assessment results at their respective levels; (iv) engaging stakeholders such as local authorities, parents, and academia through   
   customized reports and dissemination workshops.
   1. *Teacher Professional Development.* Enhancing teachers’ professional   
      development through *inter alia*:
4. assessing teachers’ professional development needs and identifying fields   
   of study where the shortage of teachers is most pressing;
5. assessing the requirements for becoming a subject teacher and evaluating   
   curricula for initial teacher training; and
6. developing new continuous professional development (CPD) programs   
   (and strengthening the content of the existing CPD program to include in   
   CPD training materials tools to address the underperformance of boys in   
   reading, alongside content on climate change adaptation and mitigation)   
   as well as the delivery and rollout of those programs in schools targeted   
   by the ESSI and the WDS programs.

**Part 2**: **Improving Learning Conditions in Targeted Primary Schools to Enable   
Whole-Day Schooling**

2.1 *School Improvement Plans and School Leadership*

1. provision of technical assistance to enhance school principals’ general   
   leadership and management skills and other skills required to enable them   
   to implement the WDS model.
2. provision of grants for preparation (and management of implementation)   
   of School Improvement Plans (SIPs) to address the needs for enriched   
   learning activities and diverse learning programs especially for Vulnerable Students at targeted primary schools.

2.2 *Enriched Learning Programs*

1. Provision of grants to eligible schools for designing and implementation   
   at school level Enriched Learning Programs consistent with the respective approved School Improvement Plans.
2. Provision of innovation grants awarded on competitive basis to eligible   
   schools to improve and disseminate the innovative curricular and extra-  
   curricular activities in their Enriched Learning Programs that have the   
   potential to be implemented at scale.

2.3. *Learning Environments.* Construction and upgrading school infrastructure   
facilities (through construction of limited number of new schools in high density   
urban areas, expansion, reconstruction, renovation, maintenance of classrooms and   
other school facilities and repurposing spaces in existing schools); equipping such

facilities with furniture, lab and digital equipment and tools and providing to select   
schools other resources (such as purchase of vehicles for transporting students at   
small and rural schools) needed to accommodate extended school days and more interactive and inclusive learning activities.

**Part 3**: **Communication, System Monitoring, Evaluation, and Project Management**

3.1 *Promoting Communication for Inclusivity.* Design and implementation of a   
communication program designed to facilitate contact and engagement of all   
relevant stakeholders in achieving the Project’s goals (including strategies aiming   
to increase the inclusion and accessibility of education to Vulnerable Students and   
support the transition of such students to the next levels of education), as well as   
to promote, support and affirm the reforms defined by the 2030 Education Strategy   
such a program to incorporate procuringreal-time feedback from the school   
communities on how to improve curricular and extra-curricular activities and dissemination of innovative curricular and extracurricular activities, that have the   
potential to be implemented at scale.

3.2 *Improving System Monitoring, Evaluation and Management*

1. Carrying out Project management, coordination and monitoring and   
   evaluation.
2. Provision of technical assistance:
3. for data collection and analysis for timely and evidence-based   
   planning and decision making including qualitative and process   
   evaluation of both the WDS and ESSI schools to inform the MoE   
   about strengths and weaknesses of the two models and a survey to   
   measure school managers’ skills;
4. for development of educational indicators and operational   
   enhancements to Unified Information System of Education   
   (UISE); and
5. on primary education financing, allocation modalities, and   
   network consolidation (including financing of consulting services   
   for the evaluation of the school feeding modalities).

**SCHEDULE 2**

**Project Execution**

**Section I. Implementation Arrangements**

1. **Institutional Arrangements**
2. Without limitation to the provisions of Article V of the General Conditions and   
   except as the Bank shall otherwise agree, the Borrower shall:
3. maintain throughout Project implementation a Project management unit   
   within the Ministry of Education, with composition (including *inter alia*   
   the Project director, a learning assessments coordinator, a teacher   
   professional development coordinator, a coordinator for upgrading   
   infrastructure in selected schools, a civil works professional, a coordinator   
   for promoting communication for inclusion, a coordinator for SIPs and   
   school leadership, a coordinator for enriched learning programs, a social   
   specialist, an environment specialist, a monitoring and evaluation   
   specialist and an operation officer), resources, terms of reference, and   
   functions acceptable to the Bank (“Project Management Unit”), to be   
   responsible for: (i) the overall coordination of all Project implementation   
   activities and overseeing day-to-day Project implementation; (ii) ensuring   
   that the requirements, criteria, policies, procedures, and organizational arrangements set forth in the Project Operations Manual are applied in   
   carrying out the Project including compliance with the environmental and   
   social risks management requirements; (iii) preparation of all Project implementation documents, including Project progress reports; and (iv) monitoring and evaluation of the Project; and
4. maintain throughout Project implementation a central fiduciary unit,   
   within the Ministry of Finance with composition, resources, terms of   
   reference, and functions acceptable to the Bank (“Central Fiduciary Unit”   
   or “CFU”), to be responsible for the procurement and financial   
   management of the Project, as detailed in the Project Operations Manual.
5. Without limitation to the provision of paragraph 1 of this Section I.A, the   
   Borrower, through the Ministry of Education, shall recruit and retain such   
   individual consultants and/or firms (as may be needed to support effective Project implementation and the achievement of the Project development objectives) in   
   such numbers, and each with qualifications and experiences and under terms of   
   reference satisfactory to the Bank, and in accordance with the timeframes as further detailed in the Project Operations Manual.

**B. Project Operations Manual and Grants Operations Manual**

1. The Borrower, through the Ministry of Education, shall:

1. prepare a Project operations manual, in form and substance satisfactory to   
   the Bank, containing detailed arrangements and procedures for   
   implementation of the Project including *inter alia*: (i) implementation arrangements including delineation of roles and responsibilities of various ministries, departments, agencies and institutions involved in Project implementation and their coordination and inter-relationships;   
   (ii) disbursement arrangements, reporting requirements, financial   
   management procedures and audit procedures; (iii) the procurement   
   procedures, standard procurement documentation, contracts   
   administration and management procedures; (iv) measures to mitigate   
   fraud and corruption as well as other integrity and fiduciary risks;   
   (v) environmental and social risks management arrangements as well as   
   operation of grievance mechanism; (vi) procedures for preparing and   
   reviewing a consolidated annual work plan and budget for each Fiscal   
   Year; (vii) monitoring and evaluation arrangements, reporting and   
   communication, including performance indicators; and (viii) such other   
   administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project;
2. (i) furnish to and exchange views with the Bank on such manual promptly   
   upon its preparation; (ii) thereafter adopt such manual as shall have been approved by the Bank (“Project Operations Manual” or “POM”); and (iii) thereafter implement the Project in accordance with the POM; and
3. not amend, suspend, abrogate, repeal, or waive any provisions of the   
   Project Operations Manual without the prior written agreement of the   
   Bank.

2. (a) The Borrower, through the Ministry of Education, shall prepare a Grants   
operations manual, in form and substance satisfactory to the Bank,   
containing provisions guiding the operations and procedures of the School Grants under Parts 2.1 and 2.2 of the Project including: (i) the maximum   
amount of each category of School Grants; (ii) the criteria and process for selecting Grantees and the arrangements for disbursing School Grant   
proceeds to the Grantees; (iii) the terms and conditions of the School   
Grants including activities eligible to be financed out of the School Grant proceeds and exclusion list; (iv) mechanism for accountability for the use   
of the School Grants including the format of the financial reports to be   
used by Grantees to account for the use of School Grant proceeds and a   
list documentation that may needed to accompany the reports and

mechanism to ensure each Grantee compliance with its corresponding   
School Grant’s terms and conditions;

(b) (i) furnish to and exchange views with the Bank on such manual promptly   
upon its preparation; (ii) thereafter adopt such manual as shall have been approved by the Bank (“Grants Operations Manual”); and   
(iii) thereafter implement Parts 2.1 and 2.2 of the Project in accordance   
with the Grants Operations Manual; and

(c) not amend, suspend, abrogate, repeal, or waive any provisions of the   
Grants Operations Manual without the prior written agreement of the   
Bank.

3. In the event of any conflict between the provisions of: (a) the Project Operations   
Manual or Grants Operations Manual; and (b) those of this Agreement, the   
provisions of this Agreement shall prevail.

**C. Environmental and Social Standards**

1. The Borrower, through the Ministry of Education, shall ensure that the Project is   
carried out in accordance with the Environmental and Social Standards, in a   
manner acceptable to the Bank.

2. Without limitation upon paragraph 1 above, the Borrower shall ensure that the   
Project is implemented in accordance with the Environmental and Social   
Commitment Plan (“ESCP”), in a manner acceptable to the Bank. To this end, the   
Borrower shall ensure that:

1. the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
2. sufficient funds are available to cover the costs of implementing the ESCP;
3. policies and procedures are maintained, and qualified and experienced   
   staff in adequate numbers are retained to implement the ESCP, as provided   
   in the ESCP; and
4. the ESCP, or any provision thereof, is not amended, repealed, suspended   
   or waived, except as the Bank shall otherwise agree in writing, as specified   
   in the ESCP, and ensure that the revised ESCP is disclosed promptly   
   thereafter.
5. In case of any inconsistencies between the ESCP and the provisions of this   
   Agreement, the provisions of this Agreement shall prevail.
6. The Borrower shall ensure that:
7. all measures necessary are taken to collect, compile, and furnish to the   
   Bank through regular reports, with the frequency specified in the ESCP,   
   and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the ESCP and the   
   environmental and social instruments referred to therein, all such reports   
   in form and substance acceptable to the Bank, setting out, *inter alia*:   
   (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and   
   (iii) corrective and preventive measures taken or required to be taken to   
   address such conditions; and
8. the Bank is promptly notified of any incident or accident related to or   
   having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers , including, any case of sexual exploitation and abuse, sexual harassment and violence against minors, in accordance with the ESCP, the environmental and social instruments referenced therein and the   
   Environmental and Social Standards.
9. The Borrower shall establish, publicize, maintain and operate an accessible   
   grievance mechanism, to receive and facilitate resolution of concerns and   
   grievances of Project-affected people, and take all measures necessary and   
   appropriate to resolve, or facilitate the resolution of, such concerns and grievances,   
   in a manner acceptable to the Bank.
10. The Borrower shall ensure that all bidding documents and contracts for civil works   
    under the Project include the obligation of contractors, subcontractors and   
    supervising entities to: (a) comply with the relevant aspects of ESCP and the   
    environmental and social instruments referred to therein; and (b) adopt and enforce   
    codes of conduct that should be provided to and signed by all workers, detailing   
    measures to address environmental, social, health and safety risks, and the risks of   
    sexual exploitation and abuse, sexual harassment and violence against children, all   
    as applicable to such civil works commissioned or carried out pursuant to said   
    contracts.

**D. School Grants**

1. For the purpose of implementing Parts 2.1 and 2.2 of the Project, the Borrower,   
   through the Ministry of Education, shall provide School Grants to selected eligible   
   targeted primary schools (“Grantees”) in accordance with eligibility criteria and   
   procedures acceptable to the Bank, as set forth in the Grants Operations Manual,   
   and shall extend each School Grant to the Grantee on terms and conditions   
   approved by the Bank. Such terms and conditions shall:

(a) include rights that adequately protect the interests of the Borrower and the Bank, including the right to suspend or terminate the Grantee’s right to use   
the School Grant proceeds, and the right to obtain a refund from the   
Grantee of all or any part of the amount of the School Grant then   
withdrawn, upon the Grantee’s failure to perform any of its obligations   
under the Grant Agreement; and

(b) require each Grantee to:

(i) carry out its sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial,   
managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the   
provisions of the Anti-Corruption Guidelines applicable to   
recipients of loan proceeds other than the Borrower;

(ii) provide, as promptly as needed, the resources required for the   
purposes of the sub-project, in accordance with the requirements   
set forth in the Grants Operations Manual;

(iii) procure goods, works, non-consulting services and consulting   
service to be financed out of the School Grant in accordance with   
the provisions of this Agreement;

(iv) maintain policies and procedures adequate to enable the Grantee   
to monitor and evaluate, in accordance with indicators acceptable   
to the Bank, the progress of the School Grant and the achievement   
of its objectives;

(v) (A) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to   
reflect the operations, resources and expenditures related to the   
sub-project; and (B) at the Bank’s or the Borrower’s request, have such financial statements audited by independent auditors   
acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish   
the statements as so audited to the Borrower and the Bank;

(vi) enable the Borrower and the Bank to inspect the sub-project, its operation and any relevant records and documents; and

(vii) 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.

1. The Borrower shall exercise its rights under each Grant Agreement in such manner   
   as to protect the interests of the Borrower and the Bank and to accomplish the   
   purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall   
   not assign, amend, abrogateor waive any Grant Agreement or any of its provisions.

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

The Borrower shall furnish to the Bank each Project Report not later than one   
month after the end of each calendar semester, covering the calendar semester.

**Section III. Withdrawal of Loan Proceeds**

**A. General**

Without limitation upon the provisions of Article II of the General Conditions and   
in accordance with the Disbursement and Financial Information Letter, the Borrower   
may withdraw the proceeds of the Loan to: (a) finance Eligible Expenditures; and (b) pay   
the Front-end Fee; in the amount allocated and, if applicable, up to the percentage set forth   
against each Category of the following table:

|  |  |  |
| --- | --- | --- |
| **Category** | **Amount of the Loan**  **Allocated**  **(expressed in EUR)** | **Percentage of  Expenditures to be  financed** |
| 1. Goods, works, non- consulting services,  Operating Costs,  Training, and consulting services for the Project | 57,134,300 | 100% (inclusive of Taxes other than value-added tax and customs duties for  works, goods and non-consulting services) |
| (2) School Grants under Parts  2.1 and 2.2 of the Project | 9,000,000 | 100% (inclusive of Taxes) |
| (3) Front-end Fee | 165,700 | Amount payable pursuant  to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of  the General Conditions |
| **TOTAL AMOUNT** | **66,300,000** |  |

For the purpose of this table the customs duties and value-added tax for the   
importation and supply of goods, works and non-consulting services, within the   
Borrower’s territory and for the purpose of the implementation of the Project, shall not be   
financed out of the Loan proceeds. The Borrower confirms that the importation and supply   
of goods, works and non-consulting services, within the Borrower’s territory and for the   
purpose of the implementation of the Project, shall be exempted from customs duties and   
value-added tax.

**B. Withdrawal Conditions; Withdrawal Period**

1.Notwithstanding the provisions of Part A above, no withdrawal shall be made:

1. For payments made prior to the Signature Date, except that withdrawals   
   up to an aggregate amount not to exceed three hundred thousand Euro   
   (EUR 300,000) may be made for payments for Eligible Expenditures   
   under Category (1) made not more than twelve (12) months prior to the Signature Date.
2. Under Category 2 unless the Borrower, through the Ministry of Education,   
   has prepared and adopted the Grants Operations Manual in form and   
   substance satisfactory to the Bank.
3. The Closing Date is April 15, 2030.

**SCHEDULE 3**

**Commitment-Linked Amortization Repayment Schedule**

The Borrower shall repay the principal amount of the Loan in accordance with the following table, which 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”).

|  |  |
| --- | --- |
| **Principal Payment Date** | **Installment Share** |
| On each April 15 and October 15  Beginning October 15, 2028  through October 15, 2034 | 7.14 % |
| On April 15, 2035 | 7.18 % |

**APPENDIX**

**Section I. Definitions**

1. “2030 Education Strategy” means the Borrower’s strategy published on the   
   Official Gazette of the Republic of Serbia No.63/2021.
2. “Anti-Corruption Guidelines” means, for purposes of paragraph 6 of the Appendix   
   to the General Conditions, the “Guidelines on Preventing and Combating Fraud   
   and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”,   
   dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
3. “Category” means a category set forth in the table in Section III.A of Schedule 2   
   to this Agreement.
4. “Central Fiduciary Unit” and the acronym “CFU” means the central fiduciary unit   
   referred to in Section I.A.1(b) of Schedule 2 to this Agreement.
5. “Enriched Learning Program" means a program comprising of curricular and extracurricular activities at targeted schools designed to provide enriched learning   
   to students and offer diverse learning options (especially for Vulnerable Students)   
   and including such activities as tailored remedial programs to improve   
   foundational reading and numeracy skills for students lagging behind, as and the   
   term “Enriched Learning Programs" means more than one of such enriched   
   learning programs.
6. “Environmental and Social Commitment Plan” or “ESCP” means the   
   environmental and social commitment plan for the Project, dated June 12, 2025,   
   as the same may be amended from time to time in accordance with the provisions   
   thereof, which sets out the material measures and actions that the Borrower shall   
   carry out or cause to be carried out to address the potential environmental and   
   social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements,   
   and any environmental and social instruments to be prepared thereunder.
7. “Environmental and Social Standards” or “ESSs” means, collectively:   
   (i) “Environmental and Social Standard 1: Assessment and Management of   
   Environmental and Social Risks and Impacts”; (ii) “Environmental and Social   
   Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social   
   Standard 3: Resource Efficiency and Pollution Prevention and Management”;   
   (iv) “Environmental and Social Standard 4: Community Health and Safety”;   
   (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land   
   Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural   
   Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-

Saharan Historically Underserved Traditional Local Communities”;   
(viii) “Environmental and Social Standard 8: Cultural Heritage”;   
(ix) “Environmental and Social Standard 9: Financial Intermediaries”;   
(x) “Environmental and Social Standard 10: Stakeholder Engagement and   
Information Disclosure”; effective on October 1, 2018, as published by the Bank.

1. “General Conditions” means the “International Bank for Reconstruction and   
   Development General Conditions for IBRD Financing, Investment Project   
   Financing”, dated December 14, 2018 (Last revised on July 15, 2023), with the modifications set forth in Section II of this Appendix.
2. “Grade 3” means the third year of compulsory primary education, usually intended   
   for students aged 8 to 9 years.
3. “Grade 7” means the seventh year of compulsory education, usually intended for   
   students aged 12 to 13 years.
4. “Grant Agreement” means the agreement between the Ministry of Education and   
   the eligible school for provision of a School Grant referred to in Section I.D of   
   Schedule 2 to the Loan Agreement.
5. “Grants Operations Manual” means the manual referred to in Section I.B.2(b)ii of   
   Schedule 2 to the Loan Agreement.
6. “Institute for Education Quality Evaluation” and the acronym “IEQE” mean the Borrower’s institute established and operating pursuant to the Republic of Serbia Government’s Decision on founding of the Institute for education quality   
   evaluation, published on the Official Gazette of the Republic of Serbia No. 73/04.
7. “Institute for Improvement of Education” and the acronym “IIE” means the   
   Borrower’s institute established pursuant to the Republic of Serbia Government’s   
   Decision on founding of Institute for Improvement of Education, published in the   
   Official Gazette of the Republic of Serbia No. 73/04.
8. “Ministry of Education” and the acronym “MoE” mean Recipient’s ministry   
   responsible for education and any successor thereto.
9. “Ministry of Finance” means Recipient’s ministry responsible for finance and any successor thereto.
10. “Operating Costs” means the reasonable incremental expenditures incurred on   
    account of implementation of the Project, including, *inter alia,* office supplies and   
    other consumable goods, office rent, internet and communications costs, support   
    for information systems, translation costs, bank charges, utilities, travel,   
    transportation, per diem, accommodation costs (lodging), CFU staff salaries and   
    other reasonable expenditures directly associated with the implementation of the

Project, on the basis of annual budgets acceptable to the Bank, excluding salaries   
of the Borrower’s civil service employees.

1. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix   
   to the General Conditions, the “World Bank Procurement Regulations for IPF   
   Borrowers”, dated February 2025.
2. “Project Management Unit” means the unit referred to in Section I.A.1(a) of   
   Schedule 2 to this Agreement.
3. “Project Operations Manual” or “POM” means the manual referred to in   
   Section I.B.1(b) of Schedule 2 to the Loan Agreement.
4. “School Grant” means any grant to be provided by MoE to a Grantee to finance   
   activities under Parts 2.1 and 2.2 of the Project.
5. “School Improvement Plan” means a school improvement plan to be prepared by   
   each primary school eligible to be a Grantee of a School Grant to identify areas of   
   weakness and solutions around which the school stakeholders (school principal,   
   teachers and parental council) will work together to achieve academic goals.
6. “Signature Date” means the later of the two dates on which the Borrower and the   
   Bank signed this Agreement and such definition applies to all references to “the   
   date of the Loan Agreement” in the General Conditions.
7. “Training” means the reasonable costs, as shall have been approved by the Bank,   
   for training and workshops conducted under the Project, including tuition, travel   
   and subsistence costs for training and workshop participants, costs associated with   
   securing the services of trainers and workshop speakers, rental of training and   
   workshop facilities, preparation and reproduction of training and workshop   
   materials, and other costs directly related to training course and workshop   
   preparation and implementation (but excluding goods and consultants’ services).
8. “Vulnerable Student” means a student in any of the schools participating in the   
   project who by virtue of among factors (physical, mental or other disability,   
   gender, race, ethnicity, religion, social, civic or health status or economic   
   disadvantages), may more limited than others in his/ her ability to take advantage   
   of a project’s benefits and may thus require specific measures and/ or assistance to   
   enhance his/ her learning outcomes; and the term “Vulnerable Students” means   
   more than one Vulnerable Student.

**Section II. Modifications to the General Conditions**

The General Conditions are hereby modified as follows:

1. Section 3.01 (*Front-end Fee; Commitment Charge; Exposure Surcharge*) is   
   modified to read as follows:

“Section 3.01. *Front-end Fee; Commitment Charge*

(a) The Borrower shall pay the Bank a Front-end Fee on the Loan amount at   
the rate specified in the Loan Agreement. Except as otherwise provided in Section   
2.07 (b), the Borrower shall pay the Front-end Fee not later than sixty (60) days   
after the Effective Date.

(b) The Borrower shall pay the Bank a Commitment Charge on the   
Unwithdrawn Loan Balance at the rate specified in the Loan Agreement. The   
Commitment Charge shall accrue from the date of the Loan Agreement or the date   
which falls on the fourth anniversary of the date of approval of the Loan by the   
Bank, whichever is later, to the respective dates on which amounts are withdrawn   
by the Borrower from the Loan Account or cancelled. Except as otherwise   
provided in Section 2.07 (c), the Borrower shall pay the Commitment Charge semi-annually in arrears on each Payment Date.”

2. Section 3.04 (*Prepayment*) is modified to read as follows:

“Section 3.04. *Prepayment*

(a) After giving not less than forty-five (45) days’ notice to the Bank, the   
Borrower may repay the Bank the following amounts in advance of maturity, as of   
a date acceptable to the Bank (provided that the Borrower has paid all Loan   
Payments due as at such date): (i) the entire Withdrawn Loan Balance as at such   
date; or (ii) the entire principal amount of any one or more maturities of the Loan.   
Any partial prepayment of the Withdrawn Loan Balance shall be applied in the   
manner specified by the Borrower, or in the absence of any specification by the   
Borrower, in the following manner: (A) if the Loan Agreement provides for the   
separate amortization of specified Disbursed Amounts of the principal of the Loan   
the prepayment shall be applied in the inverse order of such Disbursed Amounts,   
with the Disbursed Amount which has been withdrawn last being repaid first and   
with the latest maturity of said Disbursed Amount being repaid first; and (B) in all   
other cases, the prepayment shall be applied in the inverse order of the Loan   
maturities, with the latest maturity being repaid first.

(b) If, in respect of any amount of the Loan to be prepaid, a Conversion has   
been effected and the Conversion Period has not terminated at the time of   
prepayment, the provisions of Section 4.06 shall apply.”

3. In paragraphs originally numbered 75 and 81 of the Appendix, the terms “Loan   
Payment” and “Payment Date”, respectively are modified to read as follows:

“75. “Loan Payment” means any amount payable by the Loan Parties to the   
Bank pursuant to the Legal Agreements, including (but not limited to) any   
amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the   
Commitment Charge, interest at the Default Interest Rate (if any), any   
surcharge, any transaction fee for a Conversion or early termination of a   
Conversion, any premium payable upon the establishment of an Interest   
Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by   
the Borrower.”

“81. “Payment Date” means each date specified in the Loan Agreement   
occurring on or after the date of the Loan Agreement on which interest, Commitment Charge and other Loan charges and fees (other than the   
Front-end Fee) are payable, as applicable.”

4. Definitions in paragraphs 4 (Allocated Excess Exposure Amount); 53 (Exposure Surcharge); 99 (Standard Exposure Limit) and 105 (Total Exposure) of the   
Appendix are deleted in their entirety and the subsequent paragraphs are   
renumbered accordingly.