Project Agreement

(Deposit Insurance Strengthening Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

DEPOSIT INSURANCE AGENCY

Dated July 10, 2014
PROJECT AGREEMENT

Agreement dated \textit{July 10}, 2014, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and the DEPOSIT INSURANCE AGENCY ("Project Implementing Entity") ("Project Agreement") in connection with the Loan Agreement ("Loan Agreement") of same date between the REPUBLIC OF SERBIA ("Borrower") and the Bank. The Bank and the Project Implementing Entity hereby agree as follows:

\textbf{ARTICLE I — GENERAL CONDITIONS; DEFINITIONS}

1.01. The General Conditions (as defined in the Appendix to the Loan 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 Loan Agreement or the General Conditions.

\textbf{ARTICLE II — PROJECT}

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article V of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

\textbf{ARTICLE III — REPRESENTATIVE; ADDRESSES}

3.01. The Project Implementing Entity’s Representative is its Director.

3.02. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Cable: INTBAFRAD 248423(MCI) or 1-202-477-6391
Telex: INTBAFRAD Washington, D.C. 64145(MCI)
3.03. The Project Implementing Entity’s Address is:

Knez Mihailova 2
11000 Belgrade
Serbia

Facsimile:
+381 11 3287 741

AGREED at Belgrade, Republic of Serbia as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative
Name: A. Vishy
Title: Country Manager

DEPOSIT INSURANCE AGENCY

By

Authorized Representative
Name: Ljiljana Perović
Title: Acting Director
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall maintain the PIT at all times during Project implementation with resources and responsibilities satisfactory to the Bank, including procurement and financial management, and with competent staff in adequate numbers.

2. The Project Implementing Entity shall carry out the Project in accordance with the Project Operations Manual, and shall not amend or waive any provision thereto without the Bank’s prior written approval. In case of any conflict between the terms of the Project Operations Manual and the Loan Agreement, the Loan Agreement shall prevail.

B. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports the Project in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of indicators acceptable to the Bank. Each such Project Report shall cover the period of one calendar quarter, and shall be furnished to the Borrower not later two weeks after the end of the period covered by such report for incorporation and forwarding by the Borrower to the Bank of the overall Project Report.

2. The Project Implementing Entity shall provide to the Borrower not later than three months, for incorporation in the report referred to in Section 5.08 (c) of the General Conditions all such information as the Borrower or the Bank shall reasonably request for the purposes of that Section.
B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall 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 and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.

2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Borrower and the Bank not later than six months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.

3. In the event that in any given calendar year the DIF Assets become less than the sum of the Transfers to DIEF made pursuant to the Loan Agreement, the Project Implementing Entity shall ensure that each audit report referred to in paragraph 2 of this Section shall confirm that the difference is justified by: (a) payments in an equivalent amount made by the Project Implementing Entity to fulfill its deposit insurance and bank resolution obligations in accordance with the Borrower’s applicable laws and regulations, which payments shall not include repayment of funds borrowed for the above purposes, from entities other than the Borrower; or (b) an investment loss, when the investment of DIF Assets was made in accordance with the Law on Deposit Insurance.

C. Independent Performance Audit

1. No later than three months prior to the end of each calendar year during Project implementation, the Project Implementing Entity to engage, under terms of reference and with qualifications satisfactory to the Bank, a Project Audit Consultant, for purposes of carrying out the Independent Performance Audit.

2. The Project Implementing Entity shall ensure the independent monitoring and evaluation of the Project, through the carrying out of an Independent Performance Audit certifying the extent to which: (a) Eligible Expenditures under the Project have been incurred in compliance with the arrangements provided for in the Loan Agreement, and in the Operations Manual; (b) the Disbursement-Linked Indicators have been met; and (c) the Additional Instructions have been adhered to by the Borrower.
3. No later than forty-five days after the end of each calendar year during Project implementation, the Project Implementing Entity shall furnish to the Bank a complete Independent Performance Audit Report including all the findings and results from the Independent Performance Audit, as well as the certifications from the Project Audit Consultant of the degree of achievement of the Disbursement Linked Indicators.

Section III. Procurement

All services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.

Section IV. Other Undertakings

A. Use of funds under Part 1 of the Project

Except as the Bank shall otherwise agree, regular investment activities notwithstanding, the Project Implementing Entity shall ensure that the assets of the Deposit Insurance Fund financed out of the proceeds of the Loan are used for no other purposes than that of the achievement of the objective of the Project.

B. Monitoring Arrangements for the Project Implementing Entity

1. The Project Implementing Entity shall maintain governance arrangements and a financial management system acceptable to the Bank, and adequate to reflect its operations, resources and expenditures.

2. The Project Implementing Entity shall: (a) prepare and maintain annual financial statements in accordance with consistently applied accounting standards acceptable to the Bank; (b) have such financial statements annually audited by independent auditors in accordance with consistently applied auditing standards; (c) make such audited financial statements publicly available and furnish to the Bank copies of such audited financial statements not later than six (6) months after the end of the financial year.