Project Agreement

(Corridor X Highway Project)

between

INTERNATIONAL BANK

FOR

RECONSTRUCTION AND DEVELOPMENT

and

KORIDOR 10 D.O.O.
(Koridor 10 Društvo sa Ograničenom Odgovornošću)

Dated July 13, 2009
PROJECT AGREEMENT

Agreement dated July 13, 2009, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and KORIDOR 10 D.O.O. (Koridor 10 Limited Liability Company) (“Project Implementing Entity”) (“Project Agreement”) in connection with the Loan Agreement (“Loan Agreement”) of same date between Republic of Serbia (“Borrower”) and the Bank. The Bank and the Project Implementing Entity hereby agree as follows:

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.

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.

ARTICLE III - REPRESENTATIVE; ADDRESSES

3.01. The Project Implementing Entity’s Representative is the President of its Management Committee.

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: Telex: Facsimile:
INTBAFRAD 248423(MCI) or 1-202-477-6391
Washington, D.C. 64145(MCI)

3.03. The Project Implementing Entity’s Address is:

KORIDOR 10 D.O.O.
19a Vlajkoviceva Street
Belgrade
Republic of Serbia

Facsimile:
(38-11) 3034 832

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

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ Neil Simon M. Gray
Authorized Representative

KORIDOR 10 D.O.O.

By /s/ Nenad Ivanisevic
Authorized Representative
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall be responsible for the overall implementation of the Project, under the guidance and supervision of the Steering Committee. The Project Implementing Entity shall be responsible for handling the day-to-day management of the Project including procurement, financial management, Project monitoring and evaluation, and reporting arrangements, as well as management of environmental and social issues under the Project.

2. The Project Implementing Entity shall, at all times throughout the duration of the Project, maintain qualified staff, including procurement and financial management specialists and an environmental safeguards expert, in adequate number and with terms of reference satisfactory to the Bank.

3. The Project Implementing Entity shall carry out the Project in accordance with the Financial Manual.

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.

C. Safeguards

1. The Project Implementing Entity shall ensure that: (a) the Project is carried out in accordance with the respective terms of the Environmental Impact Assessments and the Resettlement Policy Framework, and the policies, procedures and arrangements therein set forth are applied and implemented; and (b) the Environmental Impact Assessments and the Resettlement Policy Framework, or any provision thereof, shall not be amended, suspended, abrogated, terminated or waived or permitted to be amended, suspended, abrogated, terminated or waived, except with the prior written approval of the Bank.

2. For purposes of Parts A and B of the Project and prior to the commencement of works for each proposed road section, the Project Implementing Entity shall: (a) submit to the Bank for its approval: (i) the related section specific Resettlement Action Plan, including the relevant social assessment, in form and substance satisfactory to the Bank; and (ii) the related section specific Environmental Management Plan and Checklist, in form and substance satisfactory to the Bank; (b) ensure that the provisions of said Resettlement Action Plan, Environmental Management Plan and Checklist
are adequately included in the proposed contract(s) for said works; and (c) ensure that said Resettlement Action Plan is disclosed and, unless the Bank shall otherwise agree, all related, adequate compensation amounts are paid in full, all in accordance with the related section specific Resettlement Action Plan and Environmental Management Plan and Checklist, the Resettlement Policy Framework and the Environmental Impact Assessments.

3. The Project Implementing Entity shall, prior to the commencement of works under the Project, procure a firm of independent consultants, with qualifications and terms of reference satisfactory to the Bank, to monitor compliance of each contract for works with the relevant section specific Environmental Management Plan and Checklist referred to in the preceding sub-paragraph 2 (a)(ii).

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 for the Project in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of monitoring and evaluation indicators agreed with the Bank. Each such Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Bank not later than one (1) month after the end of the period covered by such report. In addition, semi-annual reviews shall be conducted jointly by the Borrower, the Project Implementing Entity and the Bank to review progress in Project implementation.

2. The Borrower, through the Project Implementing Entity, shall ensure that the Project Reports referred to in the preceding paragraph 1 report on the monitoring and implementation of the requirements set forth in the Environmental Impact Assessments and the Resettlement Policy Framework.

3. The Project Implementing Entity shall: (a) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank on or about September 30, 2012, a report integrating the results of the monitoring and evaluation activities and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and (b) review with the Bank, on or about December 31, 2012, the report referred to in the preceding sub-paragraph (a), and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on said report and the Bank’s view on the matter.

4. The Project Implementing Entity shall provide to the Borrower not later than one (1) month after the Closing Date, 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. Without limitation on the provisions of Part A of this Section, the Project Implementing Entity shall prepare and furnish to the Bank, not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.

3. 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 (1) Fiscal Year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Borrower and the Bank not later than six (6) months after the end of the period.

Section III. Procurement

All goods, works and 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.