



Republic of Serbia
MINISTRY OF FINANCE

No: 401-00-1320/2013-24

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20 Kneza Miloša St.

B e l g r a d e

Stephan Sellen
Deputy Director General
Directorate General for Loans and Social Development
Council of Europe Development Bank
55, Avenue Kleber,
75116 Paris
France

Re: Management of RHP funds and disbursements

Dear Mr Sellen,

Following up on our previous discussions regarding pending issues for successful conclusion of RHP Implementing Structures' Verification exercise in the Republic of Serbia, we enclose hereinafter the procedure for management of RHP funds and disbursements.

The Council of Europe Development Bank (CEB) will disburse funds to the National Bank of Serbia (NBS). The funds will be further channelled through the following steps:

1. Accounts opening

- a. NBS shall open a special purpose foreign currency account at the order of the Ministry of Finance (MoF), which shall be specified in each individual Grant Agreement and to which the CEB shall allocate grant funds in EUR;
- b. The account holder is the MoF, and the Minister of Finance shall authorize a person/s from the Commissariat for Refugees and Migration of the Republic of Serbia (CRS) on the Specimen Card, as representative of the leading institution in this project, in order to manage the funds from said account.

2. Transfer of funds to the RSD account in the Treasury Administration of the Republic of Serbia (TA) and payments to contractors

- a. Based on each individual order of CRS for transfer of funds from a special purpose foreign currency account in the NBS, the foreign currency funds shall be converted in RSD at a buying rate from the current NBS's Exchange Rates List,

and then the funds in RSD shall be directly transferred in favour of the RSD account Execution of the Budget of the Republic of Serbia 840-1620 in TA. In this manner, the funds would be presented in the budget of the Republic of Serbia in the chapter of CRS, in accordance with the Law on the Budget System, bearing in mind that CRS is a direct budget beneficiary;

- b. Based on the order of CRS, through the RSD account of Execution of Budget of the Republic of Serbia 840-1620 in TA, the funds shall be allocated to a special dedicated RSD account which shall be opened for those funds in the name of Implementation Unit for Research and Development Ltd (PIU), as the beneficiary of public funds, which is included in the system of consolidated treasury account with TA, in accordance with Article 9, paragraph 4 of the Law on the Budget System. For each Grant Agreement a different reference number shall be determined;
- c. PIU shall make payments in RSD from the RSD account of PIU in TA to contractors for goods and services;
- d. Funds in RSD accounts in TA, as grant funds, shall be exempt from execution of order for enforced payment (account blockage), in accordance with Article 48, paragraph 5 of the Law on Payment Transactions.

3. Payments to foreign contractors (non-residents) in EUR

- a. Payments to foreign contractors shall be executed by PIU, through its foreign account, opened with a commercial bank, by transferring RSD funds from its account in TA to a commercial bank at the selling rate of the current commercial bank's Exchange Rates List, for the amount that should be paid to the foreign contractor in EUR;

4. Documentation flow

- a. NBS shall submit reports to the MoF, as the account holder, and to the CRS, as the account beneficiary who orders grant funds transfers from a special purpose foreign currency account in the NBS, on executed transactions and foreign currency account balance;
- b. CRS shall notify the PIU on the balance in the special purpose foreign currency account in NBS, upon each executed transaction;
- c. The PIU shall submit to CRS a request for transfer of funds along with the Payment Schedule and necessary documentation. Afterwards, CRS shall give an order to NBS to remit required RSD funds for payment to domestic and foreign contractors to the account of CRS in the TA in the manner described under Item 2 and 3;
- d. PIU shall regularly report to CRS and CEB on its activities on the project in accordance with the assumed contractual obligations.

5. Other issues related to RHP accounts

- a. PIU and CRS shall take care of the timely payment in order to reduce currency exchange risks. Foreign exchange losses are not financed from grant funds, but from the budget funds. Any foreign exchange losses will be borne by CRS;
- b. Funds in RSD accounts in TA, as grant funds, shall be exempt from execution of order for enforced payment (account blockage), in accordance with Article 48, paragraph 5 of the Law on Payment Transactions;
- c. Accounts are exempt from commissions/transaction costs/bank charges, unless they are charged by intermediary banks when the payment is made to the foreign contractors;
- d. Negative spread will not be allowed/applicable;
- e. Accounts of the project are interest-free.

Sincerely,

MINISTER



Lazar Krstić

CC:

1. NBS
2. CRS
3. PIU
4. Ministry of Labour, Employment, Veteran and Social Affairs