GRANT NUMBER TF011205

Federation Project Agreement

(Technical Assistance for Improving Investment Climate and Institutional Strengthening)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

FEDERATION OF BOSNIA AND HERZEGOVINA

Dated December 20, 2012
PROJECT AGREEMENT

Agreement dated December 20, 2012 entered into between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("World Bank"), acting as Administrator of the Swedish International Development Cooperation Agency (SIDA) Trust Fund Grant No. TF011205, and the FEDERATION OF BOSNIA AND HERZEGOVINA ("Project Implementing Entity") ("Project Agreement") in connection with the SIDA Trust Fund Grant Agreement between Bosnia and Herzegovina (the "Recipient") and the World Bank (the "Grant Agreement").

The World Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I - STANDARD CONDITIONS; DEFINITIONS

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012 (as defined in the Grant 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 Grant Agreement or the Standard 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 its respective Part of the Project in accordance with (a) the provisions of Article II of the Standard Conditions; (b) 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 ("Anti-Corruption Guidelines"); (c) Article II of the Grant Agreement, and (d) the Operations Manual. The Project Implementing Entity shall provide promptly as needed, the funds, facilities, services and other resources required the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the World Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its respective Part of 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 its Minister of Finance.

3.02. The Bank’s Addresses:

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

Cable: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391

3.03. The Project Implementing Entity’s Address is:

Federal Ministry of Finance
Mehmeda Spahe 5
71000 Sarajevo
Bosnia and Herzegovina

Facsimile: 387 33 203 152
AGREED at Sarajevo, Bosnia and Herzegovina, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: ANABELA ABREU
Title: COUNTRY MANAGER

FEDERATION OF BOSNIA AND HERZEGOVINA

By

Authorized Representative

Name: ŽIVKO BUDIMIR
Title: PRESIDENT
SCHEDULE

Execution of the Project Implementing Entity’s Respective Part of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

The Project Implementing Entity’s Respective Part of the Project shall be implemented by the Federation Inspectorate, which shall be responsible for Project management, including procurement and financial management, in the Federation.

B. Implementation Covenants and Safeguards

1. The Project Implementing Entity shall maintain the PMU in the Federation Inspectorate at all times during Project implementation, with terms of reference and resources satisfactory to the World Bank, and with competent staff in adequate numbers.

2. The Project Implementing Entity shall:

   (a) duly perform all obligations under the Operational Manual in a timely manner and in accordance with their respective terms, and apply and implement, as the case may be, the actions, criteria, policies, procedures and arrangements therein set forth; and

   (b) not amend or waive, or permit to be amended or waived the Operational Manual or any provisions of any one thereof, except with the prior written approval of the World Bank.

3. The Project Implementing Entity shall ensure that no private land shall be affected by the Project and that no land acquisition or resettlement shall be required.

4. The Project Implementing Entity shall ensure that the Project will not cause substantial and irreversible environmental damages, whilst ensuring all of the local environmental legal requirements have been met. In cases of activities that may cause changes to the surrounding environment, the Project Implementing Entity will notify both the local environmental authorities and the World Bank task team.

5. The Project Implementing Entity, through the Federation PMU, shall, by October 31 of each year during the implementation of the Project, furnish to the Bank the
annual implementation work programs for the Project for the next calendar year, including procurement and financing plans, and by November 30 each year review these plans with the Bank before implementing them.

6. The Project Implementing Entity shall enter into a Subsidiary Grant Agreement with the Recipient for the purpose of receiving funds necessary for carrying out Part I of the Project, ("Federation Subsidiary Grant Agreement"); and under terms and conditions approved by the World Bank and including the Anti-Corruption Guidelines.

7. The Project Implementing Entity shall duly perform all its obligations under the Federation Subsidiary Grant Agreement. Except as the World Bank shall otherwise agree, the Project Implementing Entity shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Federation Subsidiary Grant Agreement or any provision thereof.

8. The Project Implementing Entity shall, at the request of the World Bank, exchange views with the World Bank with regard to the progress of the Project, the performance of its obligations under this Agreement, under the Federation Subsidiary Grant Agreement, and other matters relating to the purposes of the Grant Agreement.

9. The Project Implementing Entity shall promptly inform the World Bank of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Grant Agreement, or the performance by the Project Implementing Entity of its obligations under this Agreement or under the Federation Subsidiary Grant Agreement.

C. 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 on the basis of indicators acceptable to the World Bank. Each such Project Report shall cover the period of one calendar semester and shall be furnished to the Recipient not later than one month after the end of the period covered by such report for incorporation and forwarding by the Recipient to the World Bank of the overall Project Report.

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 World Bank, both in a manner adequate to reflect the operations' resources and expenditures related to the Project.

2. The PMU shall have its financial statements referred to above audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World 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 Recipient and the World 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 World Bank.

**Section III. Procurement**

All goods, works and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of the Grant Agreement.