Loan Agreement

(Employment Support Project)

between

BOSNIA AND HERZEGOVINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated May 03, 2017
LOAN AGREEMENT

Agreement dated May 03, 2017, between BOSNIA AND HERZEGOVINA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of fifty million Euros (€50,000,000) ("Loan"), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement ("Loan"), to assist in financing the project described in Schedule I to this Agreement ("Project").

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.

2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of theWithdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the
Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.06. The Payment Dates are May 15 and November 15 in each year.

2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall cause the Project to be carried out by the Entities in accordance
with the provisions of Article V of the General Conditions and the Federation Project Agreement and RS Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Events of Suspension consist of the following:

(a) The Federation’s legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Federation to perform any of its obligations under the Federation Project Agreement or the Federation Subsidiary Agreement.

(b) The RS’s legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the RS to perform any of its obligations under the RS Project Agreement or the RS Subsidiary Agreement.

4.02. The Additional Event of Acceleration consists of the following, namely that any of the events specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) The Borrower has caused each Entity to prepare and adopt a Project Operations Manual (Federation POM and RS POM) in form and substance satisfactory to the Bank.

(b) The Borrower has caused each Entity to establish a Project Management Unit (Federation PMU and RS PMU) comprising staff with qualifications and experience satisfactory to the Bank.

(c) The Federation Subsidiary Agreement, satisfactory to the Bank, has been executed on behalf of the Borrower and the Federation.

(d) The RS Subsidiary Agreement, satisfactory to the Bank, has been executed on behalf of the Borrower and the RS.
5.02. The Additional Legal Matters consist of the following.

(a) The Federation Subsidiary Agreement has been duly authorized or ratified by the Borrower and the Federation and is legally binding upon the Borrower and the Federation in accordance with its terms.

(b) The RS Subsidiary Agreement has been duly authorized or ratified by the Borrower and the RS and is legally binding upon the Borrower and the RS in accordance with its terms.

5.03. The Effectiveness Deadline is the date one hundred and eighty days (180) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is its Minister of Finance and Treasury.

6.02. The Borrower’s Address is:

Ministry of Finance and Treasury
Trg BiH 1
71000 Sarajevo
Bosnia and Herzegovina

Facsimile:

(387-33) 202-930

6.03. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Telex: Facsimile:

248423(MCI) or 1-202-477-6391
64145(MCI)
AGREED at Sarajevo, Bosnia and Herzegovina, as of the day and year first above written.

BOSNIA AND HERZEGOVINA

By:  

[Signature]  
Authorized Representative  

Name: VJEROSLAV CEVANOZ  
Title: MINISTER

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By:  

[Signature]  
Authorized Representative  

Name: TATIANA PROSKURYAKOVA  
Title: COUNTRY MANAGER
SCHEDULE 1

Project Description

The objective of the Project is to increase formal private sector employment among targeted groups of registered job seekers.

The Project consists of the following parts:

PART A: FEDERATION

Part A.1: Support for Employment Promotion

1. Implementation of the Federation’s Active Labor Market Programs, including *inter alia*, by providing on the job training, developing skills and providing grants to unemployed persons for Self-Employment.

2. Implementation by the Federation of a range of intermediation measures to promote employment including by providing:

   (a) services for job seekers by improving in-take registration processes, offering counselling services, developing Individual Action Plans and monitoring progress on placement of jobseekers; and

   (b) services for employers by promoting better outreach and communication and providing human resources and automated services.

Part A.2: Support for Management Systems, Monitoring and Communications

Strengthening the capacity of the Federation PES to monitor the ALMPs and employment services by:

   (a) upgrading its information technology system to carry out a range of services including (i) enabling data exchange amongst employment bureaus and other institutions; (ii) offering online services; (iii) monitoring online services offered to job seekers and employers; (iv) monitoring branch/local offices’ performance; and (v) monitoring and disseminating labor market trends; and

   (b) preparing and implementing an effective communication strategy targeting jobseekers, employers and policy-makers.
PART B: REPUBLIKA SRPSKA

Part B. 1 Support for Employment Promotion

1. Implementation of the RS’s Active Labor Market Programs, including inter alia by providing on the job training, developing business skills and providing grants to eligible unemployed persons for Self-Employment.

2. Implementation of a range of intermediation measures to promote employment including by providing:
   
   (a) services for job seekers by improving in-take registration processes, offering counselling services, developing Individual Action Plans and monitoring progress on placement of jobseekers; and
   
   (b) services for employers by promoting better outreach and communication and providing human resources and automated services.

Part B. 2: Support for Management Systems, Monitoring and Communications

Strengthening the capacity of the RS PES to monitor the ALMPs and employment services by:

(a) upgrading its information technology system to carry out a range of services including: (i) enabling data exchange amongst employment bureaus and other institutions; (ii) offering online services; (iii) monitoring online services offered to job seekers and employers; (iv) monitoring branch/local offices’ performance; and (v) monitoring and disseminating labor market trends; and

(b) preparing and implementing an effective communication strategy targeting jobseekers, employers and policy-makers.
SCHEDULE 2
Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall cause the Federation:

(a) to carry out Part A of the Project through MoLSP which shall be responsible for the day-to-day implementation of said Part of the Project, including procurement, financial management, verification and reporting on the applicable DLIs; and

(b) to establish and thereafter maintain within MoLSP, a Project Management Unit (Federation PMU), with adequate resources, comprising a Project coordinator, financial management specialist, monitoring specialist and procurement specialist, all with qualifications and experience satisfactory to the Bank.

2. The Borrower shall cause the RS:

(a) to carry out Part B of the Project through MoLVA which shall be responsible for the day-to-day implementation of said Part of the Project, including procurement, financial management, verification and reporting on the applicable DLI’s.

(b) to establish and thereafter maintain within MoLVA, a Project Management Unit (RS PMU), with adequate resources, comprising a Project coordinator, financial management specialist, monitoring specialist and procurement specialist, all with qualifications and experience satisfactory to the Bank.

B. Project Steering Committees

1. To promote effective implementation of Part A of the Project, the Borrower shall cause the Federation to:

(a) not later than three (3) months after Project effectiveness, establish and thereafter maintain throughout the implementation of the Project, a Federation Project Steering Committee (Federation PSC) comprising representatives from the Federation MoF, Prime Minister’s Office, Federation PES, MoLSP, MoDEC and any other institutions selected by the Federation; and
ensure that the Federation PSC: (i) meets at least on a quarterly basis; (ii) carries out oversight of the management of Part A of the Project, including \textit{inter alia}, monitoring of implementation progress and removal of bottlenecks; and (iii) facilitates information exchange among the Federation Participating Institutions.

2. To promote effective implementation of Part B of the Project, the Borrower shall cause the RS to:

(a) not later than three (3) months after Project Effectiveness, establish and thereafter maintain throughout the implementation of the Project, an RS Project Steering Committee (RS PSC), comprising MoIEM, MoLVA, RS MOF, RS PES, OPGRS and any other institution selected by the RS; and

(b) ensure that the RS PSC: (i) meets at least on a quarterly basis; (ii) carries out oversight of the management of the Project, including \textit{inter alia}, monitoring of Project implementation progress and removal of bottlenecks; and (iii) facilitates information exchange among the RS Participating Institutions.

C. Project Operations Manuals

1. The Borrower shall:

(a) cause the Federation, through MoLSP and the Federation PMU, to implement Part A of the Project in accordance/compliance with the Federation POM and the Manual of Procedures for Public Employment Services; and

(b) ensure that the Federation does not amend or waive, or permit to be amended or waived, the Federation POM or any provision thereof, except with the prior written approval of the Bank.

2. The Borrower shall:

(a) cause the RS, through MoLVA and the RS PMU, to implement Part B of the Project in accordance/compliance with the RS POM and the Manual of Procedures for Public Employment Services; and

(b) ensure that the RS does not amend or waive, or permit to be amended or waived, the RS POM, or any provision thereof, except with the prior written approval of the Bank.
D. Subsidiary Agreements

Federation Subsidiary Agreement

1. To facilitate the carrying out of Part A of the Project, the Borrower shall make a portion of the proceeds of the Loan in the amount of twenty nine million Euros (€29,000,000) available to the Federation under a subsidiary agreement between the Borrower and the Federation (the “Federation Subsidiary Agreement”) under terms and conditions approved by the Bank. Except as the Bank shall otherwise agree, such terms and conditions shall include the following:

(a) the Federation shall carry out its Respective Part of the Project, or cause it to be carried out, in accordance with the terms of the Federation Project Agreement;

(b) the Borrower shall make available to the Federation an amount equivalent to the Loan allocated from time to time to Categories 1, 2, and 3 as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement;

(c) the repayment terms under which the amount equivalent to the Loan is made available to the Federation shall be thirty two (32) years, including a seven (7) year grace period;

(d) the Borrower shall charge the Federation a commitment charge at a rate equal to the rate payable under Section 2.04 of this Agreement, on the equivalent of the principal amount of the Loan made available to the Federation and not withdrawn from time to time;

(e) the Borrower shall charge the Federation interest on the principal of the equivalent amount of the Loan made available to the Federation, withdrawn and outstanding from time to time, at a rate equal to the rate payable under Section 2.05 of this Agreement;

(f) the Borrower shall charge the Federation fifty-eight percent (58%) of the Front-end Fee; and

(g) the principal amount of the Loan made available to the Federation shall be payable in local currency and shall be the equivalent of the value of currency or currencies withdrawn from the Loan Account on account of expenditures for the Project.

2. The Borrower shall exercise its rights and carry out its obligations under the Federation Subsidiary 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, abrogate or waive the Federation Subsidiary Agreement or any of its provisions.

**RS Subsidiary Agreement**

3. To facilitate the carrying out of Part B of the Project, the Borrower shall make a portion of the proceeds of the Loan in the amount of twenty one million Euros (€21,000,000) available to the RS under a Subsidiary Agreement between the Borrower and the RS (the “RS Subsidiary Agreement”) under terms and conditions approved by the Bank. Except as the Bank shall otherwise agree, such terms and conditions shall include the following:

(a) the RS shall carry out its Respective Part of the Project in accordance with the terms of the RS Project Agreement;

(b) the Borrower shall make available to the RS an amount equivalent to the Loan allocated from time to time to Categories 4, 5 and 6 as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement;

(c) the repayment terms under which the amount equivalent to the Loan is made available to the RS shall be thirty-two (32) years, including a seven (7) year grace period;

(d) the Borrower shall charge the RS a commitment charge at a rate equal to the rate payable under Section 2.04 of this Agreement, on the equivalent of the Loan made available to the RS and not withdrawn from time to time;

(e) the Borrower shall charge the RS interest on the principal of the equivalent amount of the Loan made available to the RS, withdrawn and outstanding from time to time, at a rate equal to the rate payable under Section 2.05 of this Agreement;

(f) the Borrower shall charge the RS a Front-end fee of forty-two percent (42%); and

(g) the principal of the Loan made available to the RS shall be payable in local currency and shall be the equivalent of the value of currency or currencies withdrawn from the Loan Account on account of expenditures for the Project.

4. The Borrower shall exercise its rights and carry out its obligations under the RS Subsidiary 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, abrogate or waive the RS Subsidiary Agreement or any of its provisions.
E. Anti-Corruption

The Borrower 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 and Mid-Term Evaluation

1. The Borrower shall cause the Federation and RS to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions acceptable to the Bank. Each Project Report shall cover the period of six (6) months and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.

2. By June 30, 2019, or such other date acceptable to the Bank, the Borrower shall cause the Federation and the RS to carry out jointly with the Bank, a mid-term review of the implementation of activities under the Project (Mid-term Review). The Mid-term Review shall cover the progress achieved in the implementation of the Project. Following such Mid-term Review, the Borrower shall act promptly and diligently to take or cause to be taken any corrective action as shall be recommended by the Bank.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained, a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish or cause to be prepared and furnished 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 Borrower shall or shall cause the Financial Statements to be audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

4. In implementing Parts A.1.1 and B.1.1 of the Project, the Borrower shall ensure that the Project Entities carry out DLIs audits as part of the overall Project audit which shall inter alia, certify: (a) the extent to which the Eligible Expenditures
under the Year covered by the audit have been incurred in compliance with the RS Operational Manual and Federation Operations Manual; and (b) the DLIs for the Year covered by the audit have been met.

Section III. Procurement

A. General

1. **Goods and Non-consulting Services.** All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding Procedures.

2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the following additional provisions in Annex 1 to this Schedule; (b) Shopping; and (c) Direct Contracting.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for
procurement of consultants’ services for those contracts which are specified in the
Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed
Budget; (c) Least Cost Selection; (d) Selection based on Consultants’
Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set
forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of
Individual Consultants; and (g) Single-source procedures for the Selection of
Individual Consultants.

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the
Bank’s Prior Review. All other contracts shall be subject to Post Review by the
Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the
provisions of Article II of the General Conditions, this Section, and such additional
instructions as the Bank shall specify by notice to the Borrower (including the
“Disbursement Guidelines for Investment Project Financing” dated February
2017, as revised from time to time by the Bank and as made applicable to this
Agreement pursuant to such instructions), to finance Eligible Expenditures as set
forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be
financed out of the proceeds of the Loan (“Category”), the allocation of the
amounts of the Loan to each Category, and the percentage of expenditures to be
financed for Eligible Expenditures in each Category.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in Euro)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Eligible Expenditure Programs under Parts A.1 (1) and A.1(2) of the Project</td>
<td>26,400,000</td>
<td>100% of expenditures that are covered under Section IV.B.1 (a) of this Schedule and 50% for others</td>
</tr>
<tr>
<td>2. Goods, non-consulting services, consultants’ services, Training, and Incremental Operating Costs for Part A.2 of the Project</td>
<td>1,300,000</td>
<td>100%</td>
</tr>
<tr>
<td>3. Unallocated under Part A of the Project</td>
<td>1,227,500</td>
<td>100%</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Loan Allocated (expressed in Euro)</td>
<td>Percentage of Expenditures to be financed (inclusive of Taxes)</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
<td>--------------------------------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>4. Eligible Expenditure Programs under Parts B.1(1) and B.1(2) of the Project</td>
<td>20,000,000</td>
<td>100% of expenditures that are covered under Section IV.B.7 (a) of this Schedule and 50% for others</td>
</tr>
<tr>
<td>5. Goods, non-consulting services, consultants' services, Training, and Incremental Operating Costs for Part B.2 of the Project</td>
<td>500,000</td>
<td>100%</td>
</tr>
<tr>
<td>6. Unallocated under Part B of the Project</td>
<td>447,500</td>
<td>100%</td>
</tr>
<tr>
<td>7. Front-end Fee</td>
<td>125,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>8. Interest Rate Cap or Interest Rate Collar premium</td>
<td>0</td>
<td>Amount due pursuant to Section 2.08(c) of this Agreement</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>50,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

**B. Withdrawal Conditions; Withdrawal Period**

Part A of the Project – Federation

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for:

   (a) payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed five million one hundred thousand Euros (5,100,000) may be made for payments made prior to such date but on or after January 15, 2016, for Eligible Expenditures Programs under Category (1), provided that the Borrower has furnished evidence satisfactory to the Bank that DLI 1.1 in Table 1A in Annex 2 to Schedule 2 to this Agreement has been met.

   (b) payments under Category (1) with respect to each DLI in Table 1.A of Annex 2 to Schedule 2 to this Agreement, unless the Borrower has furnished evidence satisfactory to the Bank that: (i) the DLI has been met
as defined in the Federation POM; and (ii) payment for Eligible Expenditures Program under the sector budget lines set forth in Schedule 4 to this Agreement have been made by the Federation in accordance with its applicable laws and regulations and the Federation POM. When Category (1) specifies a Bank 100% financing percentage, the Bank shall disburse an amount equal to 100% of the evidenced Eligible Expenditures. When said Category specifies a Bank 50% financing percentage, the Bank shall disburse an amount equal to half of the evidenced Eligible Expenditures.

2. Notwithstanding the provision set forth in paragraph 1 of Section IV.B of this Schedule, withdrawals by the Borrower under Category 1 shall not exceed the relevant amount specified in the “DLI Amount” row of Table 1.A in Annex 2 to Schedule 2 to this Agreement, subject to submission to the Bank of satisfactory evidence that the DLI (for which a withdrawal request has been submitted) has been achieved.

3. In connection with the foregoing, the Bank may nevertheless restrict withdrawals as set out below, if it determines, based on the evidence referred to in Section B.2 above, that the DLI targets as set out in Table 1.A of Annex 2 to Schedule 2 to this Agreement, are not met or are partially met. In this regard, with respect to: (a) DLIs 1.2-1.9 if the targets for the said DLIs have only been partially met, the amount of the Loan to be withdrawn shall be: (i) reduced in proportion to the respective degree of DLI achievement; and (ii) shall remain available for subsequent withdrawal until the respective DLI is met in a manner satisfactory to the Bank, or may be cancelled by the Bank; and (b) with respect to DLIs 2.1-2.4. if the targets for the said DLIs have not been met, the amount shall remain available for subsequent withdrawal until the respective DLI is met in a manner satisfactory to the Bank, or may be cancelled by the Bank.

4. With respect to DLIs 3.1-3.5 and 4.1-4.3 in Table 1.A of Annex 2 to Schedule 2 to this Agreement, if the targets for said DLIs are not met, the DLI Amounts shall remain available for subsequent withdrawals until the respective DLI is met in a manner satisfactory to the Bank, or may be cancelled by the Bank.

5. Notwithstanding the foregoing, at any time, by notice to the Borrower, the Bank may cancel the amount of the Loan proceeds so withheld or reallocate said amount to other DLIs.

6. If the Bank determines, at any time, that any portion of the amounts disbursed by the Borrower under Category 1 was made for reimbursement of expenditures that are not eligible under the EEPs, the Borrower shall promptly refund any such amount to the Bank as the Bank shall specify by notice to the Borrower.
Part B of the Project – Republika Srpska

7. Notwithstanding the provisions of Part B of this Section, no withdrawal shall be made for:

(a) payments made prior to the date of this Agreement except that withdrawals up to an aggregate amount not to exceed four million Euros (€4,000,000) may be made for payments made prior to such date but on or after January 15, 2016 for Eligible Expenditure Programs under Category (4), provided that the Borrower has furnished evidence satisfactory to the Bank that DLI 1.1 in Table I.B of Annex 2 to Schedule 2 to this Agreement has been met.

(b) payments under Category (4) with respect to each DLI in Table I.B of Annex 2 to Schedule 2 to this Agreement, unless the Borrower has furnished evidence satisfactory to the Bank as defined in the RS POM that payment for Eligible Expenditure Program under the sector budget lines set forth in Schedule 4 to this Agreement have been made by RS in accordance with its applicable laws and regulations and the RS POM. When Category (4) specifies a 100% financing percentage, the Bank shall disburse an amount equal to 100% of the evidenced Eligible Expenditures. When said Category specifies a Bank 50% financing percentage, the Bank shall disburse an amount equal to half of the evidenced Eligible Expenditures.

8. Notwithstanding the provisions set forth in paragraph 7 of Section IV.B of this Schedule, withdrawals by the Borrower under Category 4 shall not exceed the relevant amount specified in the “DLI Amount” row of Table 1.B in Annex 2 to Schedule 2 to this Agreement, subject to submission to the Bank of satisfactory evidence that the DLI (for which a withdrawal request has been submitted) has been achieved.

9. In connection with the foregoing, the Bank may nevertheless restrict withdrawals as set out below, if it determines, based on the evidence referred to in Section B.8 above, that the DLI targets as set out in Table 1.B of Annex 2 to Schedule 2 to this Agreement, are not met or are partially met. In this regard, with respect to: (a) DLIs 1.1-1.9 if the targets for the said DLIs have only been partially met, the amount of the Loan to be withdrawn shall be: (a) reduced in proportion to the respective degree of DLI achievement; and (b) shall remain available for subsequent withdrawal until the respective DLI is met in a manner satisfactory to the Bank, or may be cancelled by the Bank.

10. With respect to DLIs 2.1-2.4, 3.1-3.4 and 4.1-4.2 in Table 1.B of Annex 2 to Schedule 2 to this Agreement, if the targets for said DLIs are not met, the DLI Amounts shall remain available for subsequent withdrawals until the respective DLI is met in a manner satisfactory to the Bank, or may be cancelled by the Bank.
11. Notwithstanding the foregoing, at any time, by notice to the Borrower, the Bank may cancel the amount of the Loan proceeds so withheld or reallocate said amount to other DLIs.

12. If the Bank determines, at any time, that any portion of the amounts disbursed by the Borrower under Category 4 was made for reimbursement of expenditures that are not eligible under the EEPs, the Borrower shall promptly refund any such amount to the Bank as the Bank shall specify by notice to the Borrower.

13. The Closing Date is October 1, 2021.
ANNEX 1 TO SCHEDULE 2

Additional Provisions for National Competitive Bidding

For the purposes of following National Competitive Bidding procedures in the procurement of goods, works and non-consulting services to be financed under the Project, the following modifications and additions shall apply:

(1) **Registration**

(a) bidding shall not be restricted to pre-registered firms;

(b) where registration is required, bidders: (i) shall be allowed a reasonable time to complete the registration process; and (ii) shall not be denied registration for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification; and

(c) foreign bidders shall not be precluded from bidding. If a registration process is required, a foreign bidder declared the lowest evaluated bidder shall be given a reasonable opportunity to register.

(2) **Advertising**

Invitations to bid shall be advertised in at least one widely circulated national daily newspaper allowing a minimum of thirty (30) days for the preparation and submission of bids.

(3) **Pre-qualification**

When pre-qualification shall be required for large or complex works, invitations to pre-qualify for bidding shall be advertised in at least one widely circulated national daily newspaper a minimum of thirty (30) days prior to the deadline for the submission of pre-qualification applications. Minimum experience and technical and financial requirements shall be explicitly stated in the pre-qualification documents.

(4) **Participation by Government-owned enterprises**

Government-owned enterprises in Bosnia and Herzegovina, including those in the Federation and RS, shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the contracting authority. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.
(5) **Bidding Documents**

Procuring entities shall use the appropriate standard bidding documents for the procurement of goods, works or services, acceptable to the Bank.

(6) **Bid Opening and Bid Evaluation**

(a) bids shall be opened in public, immediately after the deadline for submission of bids;

(b) evaluation of bids shall be made in strict adherence to the monetarily quantifiable criteria declared in the bidding documents; and

(c) contracts shall be awarded to the qualified bidder having submitted the lowest-evaluated, substantially responsive bid and no negotiation shall take place.

(7) **Price Adjustment**

Civil works contracts of long duration (more than 18 months) shall contain an appropriate price adjustment clause.

(8) **Rejection of Bids**

All bids shall not be rejected and new bids solicited without the Bank’s prior concurrence.

(9) **Securities**

(a) bid security and performance security should follow the generally accepted practice used in the local market;

(b) alternative methods such as bid securing declaration may be acceptable, in which case the Borrower may require bidders to sign a declaration accepting that if they withdraw or modify their bids during the period of validity or they are awarded the contract and they fail to sign the contract or to submit a performance security before the deadline defined in the bidding documents, the bidder will be suspended for bidding in any contract with the implementing unit; and

(c) no advance payment shall be made to contractors without a suitable advance payment security. These securities shall be included in the bidding documents in a text and format acceptable to the Bank.
(10) **Right to inspect and audit**

Each contract financed out of the proceeds of the Financing shall provide that the suppliers, contractors and subcontractors shall permit the Bank, at its request, to inspect their accounts and records relating to the procurement and performance of the contract and to have said accounts and records audited by auditors appointed by the Bank. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.

(11) **Fraud and Corruption**

The Bank shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Bank, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, a contract financed by the World Bank Group.
# ANNEX 2

## Table 1.A - FBH Disbursement Linked Indicators (DLI)

<table>
<thead>
<tr>
<th>DLI Description, Targets and Amounts</th>
<th>Baseline</th>
<th>Disbursement Linked Results</th>
<th>Total Loan Amount per DLI</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Retroactive</td>
<td>Year 1</td>
</tr>
<tr>
<td>1. Increasing Job Placement through ALMPS</td>
<td></td>
<td>1.1</td>
<td>2,500 Job Placements for youth and Disadvantaged Groups</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.6</td>
<td>5,000 Job Placements for youth</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.7</td>
<td>14,500 Job Placements for Disadvantaged Groups</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.8</td>
<td>15,000 Job Placements for Disadvantaged Groups</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.7</td>
<td>14,500 Job Placements for Disadvantaged Groups</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.8</td>
<td>6,000 Job Placements for youth</td>
</tr>
<tr>
<td></td>
<td>5.1</td>
<td>1.2</td>
<td>1,800 Job Placements for youth</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.4</td>
<td>3,600 Job Placements for youth</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.5</td>
<td>10,000 Job Placements for Disadvantaged Groups</td>
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<tr>
<td></td>
<td></td>
<td>1.9</td>
<td>15,000 Job Placements for Disadvantaged Groups</td>
</tr>
<tr>
<td>DLI Amount expressed in Euro in millions</td>
<td>5.1</td>
<td>3.0</td>
<td>2.7</td>
</tr>
<tr>
<td>2. Improving design of ALMPS to increase Job Placement</td>
<td>2.1</td>
<td>Design of one Modified Program</td>
<td></td>
</tr>
<tr>
<td>DLI Amount expressed in Euro in millions</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>3. Increasing Job Placements through intermediation</td>
<td>3.1</td>
<td>Amended or new Rulebook of Cantonal Employment Services adopted.</td>
<td></td>
</tr>
<tr>
<td>DLI Amount expressed in Euro in millions</td>
<td>1.5</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>DLI Description, Targets and Amounts</td>
<td>Baseline</td>
<td>Disbursement Linked Results</td>
<td>Total Loan Amount per DLI</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>----------</td>
<td>----------------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td>Intermediation (cont'd)</td>
<td></td>
<td>Retroactive</td>
<td>Year 1</td>
</tr>
<tr>
<td>3.4 Successful Matches increased by 15% since 2017</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DLI Amount expressed in Euro in millions</td>
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<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>4. Improving Management</td>
<td></td>
<td>4.1 ALMP Monitoring System has produced at least one report</td>
<td>4.2 Monitoring of labor market trends produced at least one report</td>
</tr>
<tr>
<td>DLI Amount expressed in Euro in millions</td>
<td>1.5</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>Total DLI Amount</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DLI Description, Targets and Amounts</td>
<td>Baseline</td>
<td>Borrower's Fiscal Year from Effectiveness</td>
<td>Disbursement Linked Results</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>----------</td>
<td>-----------------------------------------</td>
<td>----------------------------</td>
</tr>
<tr>
<td>1. Increasing Job Placement through ALMPs</td>
<td>1.1 2,000 Job Placements for youth and Disadvantaged Groups</td>
<td>Retroactive</td>
<td>2017 Year 1</td>
</tr>
<tr>
<td>1.2 1200 Job Placements for youth</td>
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<td>1.3 2800 Job Placements for Disadvantaged Groups</td>
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<td></td>
</tr>
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<td>1.4 2,400 Job Placements for youth</td>
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<td></td>
</tr>
<tr>
<td>1.5 5,600 Job Placements for Disadvantaged Groups</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>1.6 3,600 Job Placements for youth</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>1.7 8,400 Job Placements for Disadvantaged Groups</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>1.8 4,800 jobs for youth</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.9 11,200 Job Placements for Disadvantaged Groups</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
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</table>

<table>
<thead>
<tr>
<th>DLI Amount expressed in Euro in millions</th>
<th>14.0</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>2. Increase number of redesigned ALMPs to improve Job Placements</th>
<th>2.1 Design of one Modified Program</th>
<th>2.2 Design of one Modified Program</th>
<th>2.3 Design of one Modified Program</th>
<th>2.4 Design of one Modified Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLI Amount expressed in Euro in millions</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
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</table>

<table>
<thead>
<tr>
<th>3. Increasing Job Placement through intermediation</th>
<th>3.1 7,000 job seekers in need of employment services support profiled and have Individual Action Plan reflected in the database</th>
<th>3.2 Number of vacancies collected increased by 10% form 2017</th>
<th>3.3 20,000 job seekers in need of employment services support profiled and have Individual Action Plan developed in the last 12 months and</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLI Amount expressed in Euro in millions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DLI Amount Expressed in Euro in millions</td>
<td>1.0</td>
<td>0.5</td>
<td>1.0</td>
</tr>
<tr>
<td>-----------------------------------------</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>DL1 Amount expressed in Euro</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total DLI Amount</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4. Improving management systems and monitoring</th>
<th>4.1 ALMP Monitoring System has produced at least one report</th>
<th>4.2 Online job matching tool being used</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLI Amount expressed in Euro</td>
<td>1.0</td>
<td>0.5</td>
</tr>
</tbody>
</table>

3.4 Successful Matches increased by 15%
SCHEDULE 3

Amortization Schedule

1. The following table 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"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

| Principal Payment Date | Installment Share  
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning May 15, 2024 through November 15, 2048</td>
<td>2%</td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as
withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
### SCHEDULE 4
Eligible Expenditure Programs
Budget Lines

#### A. FEDERATION

<table>
<thead>
<tr>
<th>Institutions</th>
<th>Description</th>
<th>Budget Line</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Labor and Social Policy</td>
<td>• Salaries of Federation PES staff</td>
<td>611, 612</td>
</tr>
<tr>
<td></td>
<td>• Federation Active Labor Market Programs</td>
<td>614100, 614200, 614300 and 614500</td>
</tr>
<tr>
<td>Ministry of Entrepreneurship</td>
<td>• First Employment Program</td>
<td>6141</td>
</tr>
</tbody>
</table>

#### B. REPUBLIKA SPRSKA

<table>
<thead>
<tr>
<th>Institutions</th>
<th>Description</th>
<th>Budget Line</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Labor and Veterans Affairs</td>
<td>• Salaries of RS PES staff</td>
<td>4111</td>
</tr>
<tr>
<td></td>
<td>• RS Active Labor Market Programs</td>
<td>41733</td>
</tr>
</tbody>
</table>
APPENDIX

Section I. Definitions

1. "Active Labor Market Program" or "ALMP" is any program within RS or the Federation targeted to employers or job seekers that provides financial or other incentives to promote employment.

2. "ALMP Monitoring System" means a system which produces regular reports that track the employment status of job seekers' registered with the Federation PES or RE PES during and after completion of their employment.


4. "Canton" means an administrative unit comprised of municipalities and established within the Federation pursuant to the Federation Law on Federal Units (Cantons) of 1996.

5. "Cantonal Employment Services" refers to public employment services provided at the Canton level within the Federation.

6. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


8. Disadvantaged Groups means the following categories of unemployed persons registered with the RS PES or Federation PES, comprising: (a) registered persons for twelve (12) months or more; (b) registered persons for six (6) months or more; comprising low-skilled persons (with secondary education or less), 40 year olds and above; and women; and (c) registered persons irrespective of the duration of their unemployment, comprising persons with disabilities, former beneficiaries of orphanages, victims of violence, single parents, and parents of severely ill children.

9. "Disbursement-Linked Indicators" or "DLIs" means a set of indicators specified in Annex 2 to Schedule 2 to this Agreement and in the Project Operations Manuals (as hereinafter defined), measuring improved quality and access to the Borrower's administrative services.

10. "DLI Amount" means the amount of the Loan proceeds set forth in the rows entitled "DLI Amount" in the table in Annex 2 to Schedule 2 to this Agreement.
11. "EEPs" or "Eligible Expenditure Programs" means a set of defined expenditures including those for: (a) the Federation ALMPs and salaries of Federation PES staff incurred by the Federation as indicated under the Borrower’s sector budget lines set forth in Schedule 4 to this Agreement, in respect of Part A.1 of the Project; or (b) RS in connection with the RS ALMPs and RS PES staff salaries as indicated under the Borrower’s sector budget lines set forth in Schedule 4 to this Agreement, in respect of Part B.1 of the Project, as the same may be amended from time to time with the Bank’s prior written approval.

12. “Entity” means the Federation and the RS (as these are hereafter defined), as the case may be, and “Entities” refers to the Federation and the RS collectively.

13. “Federation Employment Institute and Employment Services” or “Federation PES” means the Federation’s public institutions established to address job placements and monitor labor market trends pursuant to the Federation’s Law on Job Brokerage and Social Security of Unemployed Persons, Year VIII, Number 41, October 2, 2001.

14. “Federation” means the Federation of Bosnia and Herzegovina, a constitutive part of the Borrower.

15. “Federation Project Agreement” means the agreement to be entered into between the Bank and the Federation and referred to in Section 3.01 of this Agreement, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Federation Project Agreement.

16. “Federation MoF” means the Federation’s Ministry of Finance or its successor within the Federation.

17. “Federation PMU” means the Federation’s Project Management Unit referred to in Section I.A.1 (b) of Schedule 2 to this Agreement.

18. “Federation Project Operations Manual” or “Federation POM” means the manual which sets forth the policies and procedures that apply to the carrying out of Part A of the Project, including, inter alia: (i) the roles and responsibilities of all Participating Institutions and entities involved in Project; (ii) a detailed description of the EEPs; (iii) the estimated implementation schedule; (iv) procedures for accessing, disbursing and accounting for funds under the Project; (v) the indicators to be used in the monitoring and evaluation of the Project; (vi) the procedures for Project monitoring, supervision and evaluation, including the format and content of the Project Reports; (vii) the DLIs; (viii) DLI verification protocols; (ix) guidelines including a negative list of prohibited activities for eligible self-employed receiving grant funding and (x) procurement and financial management procedures including clearly defined procedures related to payments verification.
and processing, and record and management of Eligible Expenditures financed with the Loan proceeds.

19. “Federation Procurement Plan” means the Federation’s procurement plan for the Project, dated October 28, 2016 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

20. “Federation PSC” means the Federation’s Project Steering Committee referred to in Section I.B.1 of Schedule 2 to this Agreement.

21. “Federation Subsidiary Agreement” means the agreement referred to in Section I.D of Schedule 2 to this Agreement pursuant to which the Borrower shall make part of the proceeds of the Loan available to the Federation for purposes of carrying out Part A of the Project.

22. “First Employment Program” means the Federation’s employment program for the youth and the self-employed, which reimburses eligible employers for social security contributions of new employees for 12 months.

23. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012, with the modifications set forth in Section II of this Appendix.

24. “Incremental Operating Costs” means the reasonable expenses incurred by the Federation PMU or the RS PMU on account of implementing each Project Implementing Entity’s Respective Part of the Project, and includes communication, bank charges, translation and interpretation and such other expenditures as may be agreed upon by the Bank (but excluding salaries of the Federation or RS’s civil servants).

25. “Individual Action Plan” means the plan developed by the Federation PES or RS PES comprising a set of actions agreed between the jobseeker and the case worker in order to find a job for the jobseeker.

26. “Job Placement” means the acquisition of full-time formal employment for a job seeker in the private sector (excluding self-employment in the agriculture sector), under a program supported by RS PES or the Federation PES with health insurance and social benefits reflected in the tax administration database, and has received at least three wage payments.
27. "Manual of Procedures for Public Employment Services" means the manual consisting of the guidelines adopted by Federation MoLSP and RS MoLVA for purposes of implementing the various intermediation measures in the RS PES and Federation PES offices.

28. "Modified Program" means any of the ALMPs supported by the Project which has been modified to improve cost effectiveness and/or net impact on employment and wages in a manner satisfactory to the Bank.

29. "MoDEC means the Federation Ministry of Development, Entrepreneurship and Craft or its successor within the Federation.

30. "MoF" means RS Ministry of Finance or its successor within RS.

31. "MoIEM" means the RS Ministry of Industry, Energy and Mining or its successor within RS.

32. "MoLSP" means the Federation Ministry of Labor and Social Policy or its successor within the Federation.

33. "MoLVA" means the RS's Ministry of Labor and Veteran Affairs or its successor within RS.

34. "MoF" means RS Ministry of Finance or its successor within RS.

35. "MoIEM" means the RS Ministry of Industry, Energy and Mining or its successor within RS.

36. "MoLSP" means the Federation Ministry of Labor and Social Policy or its successor within the Federation.

37. "MoLVA" means the RS's Ministry of Labor and Veteran Affairs or its successor within RS.

38. "OPGRS" means the Office of the President of the Government of the RS or its successor within RS.

39. "Participating Institutions" means with respect to the Federation, the Federation PES, Federal MoEDC and Federal MoLSP and with respect to the RS, the RS PES, MoLVA, MoIEM and OPGRS.


41. "Project Implementing Entity" means the RS or the Federation.

42. "POMs" or "Project Operations Manuals" means the manuals to be prepared by the RS and the Federation for the implementation of the Project.

43. "Project Management Unit" or "PMU" means RS PMU or the Federation PMU.

44. "Republika Srpska Employment Institute" or "RS PES" means a public institution established pursuant to the RS Law on Employment and Entitlements of Unemployed Persons (Republika Srpska Official Gazette No. 25/93 and 10/98) and operating in line with the Borrower's law on Job Brokerage and Entitlement...
During Period of Unemployment (Republika Srpska Official Gazettee N. 30/10 and 102/12).

41. “Rulebook of Cantonal Employment Services” means the guidelines for the operation of the employment offices in the Cantons.

42. “RS” means Republika Srpska, a constitutive part of the Borrower.

43. “RS PMU” means RS’s project management unit referred to in Section I.A.2 (b) of Schedule 2 to this Agreement.

44. “RS Project Agreement” means the Agreement to be entered into between the Bank and RS and referred to in Section 3.01 of this Agreement, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the RS Project Agreement.

45. “RS Project Operations Manual” means the manual which sets forth the policies and procedures that apply to the carrying out of Part B of the Project, including, inter alia: (i) the roles and responsibilities of the other Participating Agencies and entities involved in Project; (ii) a detailed description of the EEPs; (iii) the estimated implementation schedule; (iv) procedures for accessing, disbursing and accounting for funds under the Project; (v) the indicators to be used in the monitoring and evaluation of the Project; (vi) the procedures for Project monitoring, supervision and evaluation, including the format and content of the Project Reports; (vii) the DLIs, (viii) DLIs verification protocols; (ix) environmental guidelines including a negative list of prohibited activities for the eligible self-employed receiving grant funding; and (x) procurement and financial management procedures including clearly defined procedures related to payments verification and processing, and record and management of Eligible Expenditures financed with the Loan proceeds.

46. “RS Procurement Plan” means RS’s procurement plan for the Project, dated October 27, 2016 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

47. “RS Subsidiary Agreement” means the agreement referred to in Section I.D.3 of Schedule 2 to this Agreement pursuant to which the Borrower shall make part of the proceeds of the Loan available to RS for purposes of implementing Part B of the Project.

48. “Self-Employment” means employment involving individuals who work for themselves or operate their own business (instead of an employer that pays a salary or a wage) under Parts A.1 (1) and B.1(1) of the Project and subject to the negative list of prohibited activities set forth in the Project Operations Manual).
49. "Successful Matches" means those referrals of registered jobseekers referred to employers by the Federation PES and RS PES hired in vacancies that have been recorded in the databases for the Federation PES or the RS PES.

50. "Training" means expenditures (other than for consultants’ services), incurred during the implementation of the Project, based on periodic budgets acceptable to the Bank, for: (i) reasonable travel, room, board and per diem expenditures incurred by trainers and trainees in connection with their training; (ii) course fees; (iii) training/workshop facility and equipment rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses not otherwise covered under this paragraph.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the Table of Contents, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.

2. Section 3.01. (Front-end Fee) 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 (the "Front-end Fee").

(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"). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date."

3. In the Appendix, Definitions, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.

4. The Appendix is modified by inserting a new paragraph 19 with the following definition of “Commitment Charge”, and renumbering the subsequent paragraphs accordingly:

"19. "Commitment Charge" means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b)."