This Administration Agreement is concluded under Indirect Management in the context of the Framework Agreement between the World Bank Group and the European Commission dated April 15, 2016 (the “Framework Agreement” or “2016 Framework Agreement”) which sets the general conditions for this Administration Agreement. The Framework Agreement shall be applicable and form an integral part of the Administration Agreement for the Trust Fund.

1. The International Bank for Reconstruction and Development (the “Bank”) acknowledges that the European Commission (the “Donor”, and together with the Bank, the “Parties” and each a “Party”) agrees to provide the sum of three million one hundred thousand Euro (€3,100,000) (the “Contribution”) for the Support to Public Sector Management Reform in Bosnia and Herzegovina Single Donor Trust Fund TF072973 (the “Trust Fund”) in accordance with the terms of this Administration Agreement.

2. The Contribution shall be used to finance the activities set forth in the "Support to Public Sector Management Reform in Bosnia and Herzegovina Trust Fund Description" attached hereto as Annex 1, and shall be administered by the Bank on behalf of the Donor in accordance with the terms of this Administration Agreement, including the “Standard Provisions” attached hereto as Annex 2 and “Governance” attached hereto as Annex 3.

3. The Donor shall deposit the Contribution in accordance with the following schedule and in the currency specified in Section 1 above (“Contribution Currency”) into such bank account designated by the Bank (each amount deposited hereinafter referred to as an “Instalment”) upon submission of a payment request by the Bank:

(A) Promptly following countersignature – € 2,170,000.00;
(B) € 775,000.00 subject to the disbursement of 70% of the preceding instalment; and
(C) € 155,000.00 subject to the disbursement of 70% of the preceding instalment.

The period for payment of further Instalments shall be 60 days.
The period for payment of the balance shall be 90 days.

4. The Contribution is being provided in Instalments on the basis of financial needs of the Trust Fund. If the Bank determines, on the basis of the speed of the implementation of the activities and availability of funds in the Trust Fund, that it is necessary to either bring Instalments forward or delay them, the Bank and the Donor will discuss and agree to revise the Instalment schedule, as confirmed by the Bank to the Donor in writing.

5. When making any deposit, the Donor shall instruct its bank to include in its deposit details information (remittance advice) field of its SWIFT deposit message, information indicating: the amount deposited, that the deposit is made by the Donor for TF072973 (Support to Public Sector Management Reform in Bosnia and Herzegovina Trust Fund), the Commission internal reference number and the date of the Administration Agreement, the name of the project for which the funds are intended, the name of the Commission department responsible for the Trust Fund and the date of the deposit (the “Deposit Instructions”). In addition, the Donor shall
provide a copy of the Deposit Instructions to the Bank’s Accounting Trust Funds Division by e-mail sent to tfremitadvice@worldbank.org or by fax sent to +1 (202) 614-1315.

6. Except with respect to the Deposit Instructions, any notice, request or other communication to be given or made under this Administration Agreement shall be in writing and delivered by mail, fax or e-mail to the respective Party’s address specified below or at such other address as such Party notifies in writing to the other Party from time to time:

For the Bank (the “Bank Contact”):

Mr. Srdjan Svircev  
Senior Public Sector Specialist  
Governance Global Practice  
The World Bank  
Bulevar Kralja Aleksandra 86  
11000 Belgrade  
Tel: +381 11 3023713  
E-mail: ssvircev@worldbank.org

For the Donor (the “Donor Contact”):

Ms. Irena Sotra, Programme Manager  
Operations Section I  
Delegation of the European Union to Bosnia and Herzegovina  
Skenderija 3a, 71000 Sarajevo, Bosnia and Herzegovina  
Tel.: +387 033 254 774  
E-mail: irena.sotra@eeas.europa.eu

7. In the event any amounts are to be returned to the Donor under this Administration Agreement, the Bank shall transfer such amounts to the Donor, unless otherwise agreed with the Bank. When making any deposit, the Bank shall include in its deposit details information (remittance advice) field of its SWIFT deposit message, information indicating: the amount deposited, that the deposit is made by the Bank in relation to TF072973 (Support to Public Sector Management Reform in Bosnia and Herzegovina Trust Fund), and the date of the deposit. The Bank shall provide a copy of such information to the Donor.

8. Pursuant to Article 13.3 (b) of the Framework Agreement, the Bank shall charge an Indirect Rate (as defined in Annex 1 to this Administration Agreement) of 17% of direct costs of their personnel and consultants directly assigned to the Bank-executed activities, for which the Bank has operational responsibility, as described in Section 2.1 of Annex 1 to this Agreement.

Bank-executed Trust Fund expenditures listed in Annex 1 to this Agreement relate only to those Bank-executed activities for which the Bank has operational implementation responsibility under the Trust Fund. They do not include the cost of Bank corporate services in support of the work carried out by its operational units implementing trust funds.

9. An indicative budget shall be available at the World Bank’s Development Partner Center secure website and shall be used for monitoring and reporting purposes only and shall not be binding and may be revised from time to time by the Bank provided the Action is carried out as described in Annex 1 and the Donor is informed beforehand.
10. Expected results and corresponding indicators (including baselines, result goals and sources of data) are set out in the indicative results framework of the Trust Fund and shall be available in Annex 4 to this Agreement and the World Bank’s Development Partner Center secure website. Any modifications and/or updates to the indicative results framework shall be reflected in the World Bank’s Development Partner Center secure website. The expected results and indicators shall be used for monitoring and evaluation purposes only and shall not be binding. Progress against such indicative results framework shall not be taken into account to determine the final amount of the Contribution to the Trust Fund by the European Commission.


12. Individual procurement and grant contracts under this Administration Agreement shall be signed by the Bank no later than thirty (30) months from the date of this Administration Agreement.

13. The measures taken to identify the European Union as a source of financing shall be in accordance with Attachment 4 of the Framework Agreement.

14. All annexes hereto and the Framework Agreement between the World Bank Group and the European Commission constitute an integral part of this Administration Agreement, whose terms taken together shall constitute the entire agreement and understanding between the Donor and the Bank. In the event of any inconsistency, the Framework Agreement prevails over the Administration Agreement and the Administration Agreement prevails over its Annexes. Unless otherwise specified in an annex hereto, this Administration Agreement may be amended only by written amendment between the Bank and the Donor.

[This section is intentionally left blank.]
15. Each of the Parties represents, by confirming its agreement below, that it is authorized to enter into this Administration Agreement and act in accordance with these terms and conditions. The Parties are requested to sign and date this Administration Agreement, and upon possession by the Bank of this fully signed Administration Agreement, this Administration Agreement shall become effective as of the date of the last signature.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: [Signature]
Authorized Representative

Name: Emanuel Salinas
Title: Country Manager
Date: Dec 14, 2017

EUROPEAN UNION represented by the DELEGATION of the EUROPEAN UNION TO BOSNIA AND HERZEGOVINA

By: [Signature]
Authorized Representative

Name: Melvin Asin
Title: Head of Cooperation
Date: 13 December 2017
SUPPORT TO PUBLIC SECTOR MANAGEMENT REFORM IN BOSNIA AND HERZEGOVINA TRUST FUND DESCRIPTION

This Annex shall be applicable to and form an integral part of the Administration Agreement for the Trust Fund between the Bank and the Donor.

1. Objectives

The objective of the Trust Fund is to strengthen public employment controls in Bosnia and Herzegovina in line with the obligations outlined in the Reform Agenda (the Action). The Action will focus on the implementation of the Reform Agenda (2015-2018) of Bosnia and Herzegovina and support efforts of the BiH Council of Ministers, Government of the Federation of Bosnia and Herzegovina (FBiH) and Government of Republika Srpska (RS) to strengthen public performance and enhance quality in the provision of services delivered to its citizens.

2. Activities

The activities to be financed by the Trust Fund are:

2.1 Bank-executed activities, for which the Bank has implementation responsibility:

Component A: Improving public employment data

Strengthening fiscal and employment controls is one of the priorities of the authorities in the BiH institutions, FBiH and RS (each of FBiH and RS referred to as an “Entity”, and collectively “Entities”). In the absence of a consolidated registry of public employees, this activity will support the establishment of two registries (collectively referred to as “Registries”) of public employees, one in each Entity, consolidating databases of all staff employed in the cantons, municipalities, extra budgetary funds, and medical institutes in each Entity. Information about staffing and wage levels for employees at the level of Council of Ministers is available from the central payroll unit and there will be no separate registry at this level.

These Registries will be: (i) live databases that interface with and extract information such as personnel and wages from each Entity’s operational payroll system; (ii) maintained both at the level of each respective Entity; (iii) consistent across the Entities’ jurisdictions, with data/information that are methodologically compatible to facilitate an exchange of aggregated data and analysis of staffing levels among the Entities; and (iv) essential for: (A) monitoring implementation of policy reform measures and results related to wage bill reduction and employment control; and (B) establishing a set of aggregate data to be extracted from the Registries and shared with all levels of authority and the public across all three jurisdictions.

This approach is designed to mitigate the risks of legal challenges prompted by personnel data collection and management, and data sharing across Entities through: (i) a review of existing laws on registries in each Entity; (ii) provision of recommendations for legal
reform, while protecting privacy and abiding by the constitutionally-mandated division of responsibilities across the Entities’ jurisdictions; and (iii) support towards full operationalization with legal backing and long-term sustainability of recommended measures on wage bill reduction and employment control.

The specific activities supported under this component will be:

(a) Analysis of the existing payroll databases and information systems (tentatively by December 31, 2017). This activity entails an analysis of the: (i) data currently contained in the multiple payroll systems in each respective Entity including the cantons, municipalities, as well as extra-budgetary funds, both in terms of scope of information being collected and the quality of the data; and (ii) information technology (IT) systems used in each Entity’s jurisdiction.

(b) Recommendations on the regulatory and institutional arrangements to support the Registries (tentatively by December 31, 2017). This activity will review the regulatory requirements to authorize the Registries, and provide recommendations on legal provisions necessary to mitigate the risks of legal challenges, and if needed, new laws on registries that will apply to the Entities.

Component B: Rebalancing staffing and pay in the public sector

Approaches to wage bill management in the Entities and at the level of Council of Ministers to date have been non-strategic, consisting of, e.g., across-the-board freezes to new hiring and salary increases, and reduction of discretionary benefits. Such measures have neither addressed the core problem of overstaffing in the largest sectors namely education and health, nor the relatively high wages in certain sectors and institutions.

This activity will provide recommendations for: (i) right-sizing measures to address overlaps in mandates and redundant functions which can be streamlined for efficiency gains, including through the use of e-government tools; (ii) targeted and strategic staffing reductions based on six functional reviews of staffing and expenditures in selected ministries and cantons, employee support and municipal administrations; and (iii) pay rationalization by benchmarking public sector wages at different levels (including cantons, municipalities and medical institutes) through comparator surveys against representative employers in the private sector.

The selection of ministries and cantons for the functional reviews will be based on potential for efficiency improvements, the respective authorities’ commitment and preparedness, feasibility both in design and implementation, and an assessment of social risks. These criteria, among other things, will be discussed during stakeholder consultations, including identifying/defining the issues and corresponding reform options. Six (6) functional reviews are envisaged under this component: 2 Horizontal Functional Reviews (one in FBiH and one in RS), 2 Functional Reviews of Health Sectors, and 2 Functional Reviews of Educational Sectors.

All reform measures will be specified in each Entity’s operational plan for 2019 and 2020, and implemented in each Entity’s FY2019 and FY2020 respective budget.
The specific activities supported under this component will be:

(a) Identification of right-sizing measures based on horizontal staffing and expenditure reviews (tentatively by September 30, 2018). This activity will support the development and implementation of functional reviews or functional audits on internal organization, human resource management plans and strategies, number of employees and their respective mandates, support functions and span of control; explore potential efficiency gains through the use of e-government tools.

(b) Support for the preparation and implementation of operational plans based on functional reviews of Health sector (tentatively by December 31, 2018) and Education sector (tentatively by December 31, 2018). This activity will draw from recommendations under 2.1.B(a) and support: (i) the preparation of operational plans for 2019 and 2020 to rebalance staffing among the Entities; and (ii) potential management restructurings, if needed.

(c) Support for the development of a retrenchment plan to mitigate social risks resulting from staff reductions in public employment (tentatively by June 30, 2019). This activity will be preceded by public consultations, facilitating a dialogue between the authorities from each Entity and the public regarding the necessity to right-size the public sector.

(d) Pay benchmarking and simplification (tentatively by June 30, 2019). Fragmentation of wage systems across Entities results in significant differences not only between the Entities but also within the same level of government in each Entity, and between budget-funded and extra-budgetary funded workers. This activity will: (i) entail benchmarking between public sector wages at different levels of government (including cantons, municipalities and medical institutes) and wages for key professions in the private sector; and (ii) explore options to establish pay equity by reducing the number of discretionary and distortionary allowances.

2.2 Management and administration activities for the Trust Fund, including but not limited to, supporting Trust Fund related meetings; planning and executing work plans and budgets; managing communications and conducting outreach; disseminating lessons learned; reporting on progress; and monitoring and evaluating the activities.

2.3 Recipient-executed activities, for which two Recipients, the Ministry of Finance in RS and the Ministry of Finance in FBiH, (as defined in Annex 2) have implementation responsibility:

Development of functional and technical specifications for the Registries (tentatively by June 30, 2018). Drawing on the analysis performed under 2.1.A(a), this activity will develop the functional or business requirements for the Registries, and technical requirements for the IT systems in each Entity's jurisdiction.

Development of a web-based application for the Registries (tentatively by December 31, 2018). Based on recommended functional and technical specifications, a web-based application will be developed for the Registries, with emphasis on simple, open source IT solutions; this activity may also include purchase of the necessary hardware. The
respective authorities will jointly review the IT systems prior to acceptance and acknowledgment of transfer to the respective Entities.

Capacity building activities for implementation of the Registries (tentatively starting from June 30, 2018). This sub-activity will include training of selected staff in each Entity and IT support for implementation of the Registries.

A payroll audit to corroborate information in the Registries (tentatively by December 31, 2019). In collaboration with the Entities' authorities, a payroll audit will be conducted annually, on a sample basis, through document-based physical verification of the pay and employment data to ensure that workers on the payroll exist and that the information on pay is accurate.

3. **Eligible Expenditures**

3.1 For Bank-executed activities, the Trust Fund funds may be used to finance:

(a) contractual services;
(b) media, workshops, conferences and meetings;
(c) travel expenses;
(d) short-term consultants and temporaries; and
(e) staff costs (excluding short term consultants and temporaries).

3.2 For Recipient-executed activities, the Trust Fund funds may be used to finance eligible expenditures in accordance with the Bank's applicable policies and procedures.

3.3 For purposes of this section: (i) “staff costs (excluding short term consultants and temporaries)” includes salaries, benefits and indirect rates charged to the Trust Fund as applicable under Bank policies and procedures; and (ii) “short term consultants and temporaries” includes fees and indirect rates charged to the Trust Fund as applicable under Bank policies and procedures.

3.4 The “Indirect Rate” means the indirect rate, defined as a percentage of personnel costs and available at the World Bank's Development Partner Center secure website, as such rate may be revised from time to time by the Bank and applied to this Trust Fund, in accordance with its policies and procedures.

4. **Taxes**

4.1 The foregoing activities and categories of expenditures may include the financing of taxes in accordance with the Bank’s applicable policies and procedures.

5. **Retroactive Financing**

5.1 The Trust Fund funds may be used to retroactively finance payments for eligible expenditures made as of July 1, 2017, in accordance with the Bank’s applicable policies and procedures.
STANDARD PROVISIONS

This Annex shall be applicable to and form an integral part of the Administration Agreement for the Trust Fund between the Bank and the Donor, it being understood that any plural references in the annexes to Donors, Administration Agreements, Contributions and pro rata shares shall be read as singular references to the Donor, its Administration Agreement, its Contributions thereunder and the remaining uncommitted balance of the Trust Fund, respectively.

1. **Administration of the Contributions**

1.1 The Bank shall be responsible only for performing those functions specifically set forth in this Administration Agreement, including its annexes, and shall not be subject to any other duties or responsibilities to the Donors, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. Nothing in this Administration Agreement shall be considered a waiver of any privileges or immunities of the Bank under its Articles of Agreement or any applicable law, all of which are expressly reserved.

1.2 Each Donor’s Contribution (collectively, the “Contributions”) shall be administered in accordance with the Bank’s applicable policies and procedures, as the same may be amended from time to time, including its procurement, financial management, disbursement and safeguard policies, its framework to prevent and combat fraud and corruption and its screening procedures to prevent the use of Bank resources to finance terrorist activity, in line with the Bank’s obligations to give effect to the relevant decisions of the Security Council taken under Chapter VII of the Charter of the United Nations. The Donors acknowledge that this provision does not create any obligations of the Bank under the anti-terrorist financing and asset control laws, regulations, rules and executive orders of an individual member country that may apply to a Donor.

2. **Management of the Contributions**

2.1 The funds deposited in the Trust Fund shall be accounted for as a single trust fund and shall be kept separate and apart from the funds of the Bank. The funds deposited in the Trust Fund may be commingled with other trust fund assets maintained by the Bank. The Bank, in its capacity as trustee, has legal title to the funds deposited in the Trust Fund.

2.2 The currency in which the funds in the Trust Fund shall be held is Euro (the “Holding Currency”).

2.3 Donors agree to deposit their Contributions in the Contribution Currency stated in their respective Administration Agreements. In the case of deposits received in a Contribution Currency other than the Holding Currency, promptly upon the receipt of such amounts and the accompanying Deposit Instructions, the Bank shall convert such amounts into the Holding Currency at the exchange rate obtained by the Bank on the date of the conversion. Where deposits prove to be insufficient to complete activities as a result of exchange rate fluctuations, neither the Bank nor the Donor shall bear any responsibility for providing any additional financing.
2.4 The funds deposited in the Trust Fund may be freely exchanged by the Bank into other currencies as may facilitate their disbursement at the exchange rate obtained by the Bank on the date of the conversion.

2.5 The Bank shall invest and reinvest the funds deposited in the Trust Fund pending their disbursement in accordance with the Bank’s applicable policies and procedures for the investment of trust funds administered by the Bank. The Bank shall transfer all income from such investment to the Donor’s applicable donor balance account with the Bank.

3. Accounting and Financial Reporting

3.1 The Bank shall maintain separate records and ledger accounts in respect of the funds deposited in the Trust Fund and disbursements made therefrom.

3.2 The Bank shall furnish to the Donors current financial information relating to receipts, disbursements and fund balance in the Holding Currency with respect to the Contributions via the World Bank’s Trust Funds Development Partner Center secure website which will be updated quarterly. Within six (6) months after all commitments and liabilities under the Trust Fund have been satisfied and the Trust Fund has been closed, the final financial information relating to receipts, disbursements and fund balance in the Holding Currency with respect to the Contributions shall be made available to the Donors via the World Bank’s Trust Funds Development Partner Center secure website.

3.3 The Bank shall provide to the Donors via the World Bank’s Trust Fund Development Partner Center secure website, within six (6) months following the end of each Bank fiscal year, an annual single audit report, comprising (i) a management assertion together with an attestation from the Bank’s external auditors concerning the adequacy of internal control over cash-based financial reporting for all cash-based trust funds as a whole; and (ii) a combined financial statement for all cash-based trust funds together with the Bank’s external auditor’s opinion thereon. The cost of the single audit shall be borne by the Bank.

3.4 If a Donor wishes to request, on an exceptional basis, a financial statement audit by the Bank’s external auditors of the Trust Fund, the Donor and the Bank shall first consult as to whether such an external audit is necessary. The Bank and the Donor shall agree on the appropriate scope and terms of reference of such audit. Following agreement on the scope and terms of reference, the Bank shall arrange for such external audit. The costs of any such audit, including the internal costs of the Bank with respect to such audit, shall be borne by the requesting Donor.

3.5 The Bank shall make available to the Donors copies of all financial statements and auditors’ reports received by the Bank from Recipients pursuant to any Grant Agreements (as defined below) in accordance with the Bank’s Access to Information Policy.

4. Progress Reporting

4.1 The Bank shall provide the Donors with semi-annual written progress reports by January and July. The progress reports shall be provided with reference to the results framework agreed by the Bank and the Donors, as such results framework may be reviewed by the Parties from time to time. Within six (6) months of the End Disbursement Date (as defined below), the Bank shall provide to the Donors with a final narrative report for the Trust Fund.
4.2 Any Donor may review or evaluate activities financed by the Trust Fund at any time up to closure of the Trust Fund. The Donor and the Bank shall agree on the scope and conduct of such review or evaluation, and the Bank shall provide all relevant information within the limits of the Bank's applicable policies and procedures. All associated costs, including any costs incurred by the Bank, shall be borne by the Donor. It is understood that any such review or evaluation will not constitute a financial, compliance or other audit of the Trust Fund.

5. **Disbursement; Cancellation; Refund**

5.1 It is expected that the funds deposited in the Trust Fund will be fully disbursed by the Bank by December 31, 2022 (the "End Disbursement Date"). The Bank shall only disburse funds deposited in the Trust Fund for the purposes of this Administration Agreement (other than returns to Donors) after such date to the extent such date is changed in accordance with amendments made to the Administration Agreements of all the Donors. Following the End Disbursement Date, the Bank shall return any remaining balance of the Trust Fund to each Donor in the Holding Currency in the manner specified in its respective Administration Agreement on a pro rata basis with regard to the total funds deposited in the Trust Fund by such Donor relative to the total funds deposited in the Trust Fund by all Donors, all calculated as Holding Currency amounts.

5.2 Any Donor may cancel all or part of such Donor's pro rata share, and the Bank may cancel all or any Donors' pro rata shares, upon three (3) months' prior written notice, of any Contributions (paid and not yet paid) that are not committed pursuant to any agreements entered into between the Bank and any consultants and/or other third parties for the purposes of this Administration Agreement, including any Grant Agreements, prior to the receipt of such notice. In the event of a cancellation, the Bank shall return to the Donor its pro-rata share in the Holding Currency as specified in paragraph 2.2. of this Annex 2; unless otherwise agreed between the Bank and the Donor.

6. **Disclosure; Dispute Resolution**

6.1 The Bank shall disclose the Administration Agreements and related information on this Trust Fund in accordance with the Bank's Policy on Access to Information. By entering into Administration Agreements, the Donors consent to such disclosure of their respective Administration Agreements and such related information.

6.2 The Donors and the Bank shall use their best efforts to amicably settle any dispute, controversy, or claim arising out of or relating to the Administration Agreements.

7. **Grants to Recipients**

7.1 The Bank shall, as administrator of the Trust Fund on behalf of the Donors, enter into one or more grant agreements (the "Grant Agreements") with recipients (the "Recipients") consistent with the purposes of this Administration Agreement and on the terms and conditions set forth in the Grant Agreements. Grant Agreements may be entered into up to the maximum amount of the Contributions that all Donors have agreed to make available under the Administration Agreements between the Bank and the Donors.

7.2 The Bank shall be responsible for the supervision of the activities financed under any Grant Agreements. Subject to the consent of any relevant Recipients, representatives of the Donors may be invited by the Bank to participate in Bank supervision missions related to the Trust Fund.
7.3 The Bank shall promptly inform the Donors of any significant modification to the terms of any Grant Agreements and of any contractual remedies that are exercised by the Bank under any Grant Agreements. To the extent practicable, the Bank shall afford the Donors the opportunity to exchange views before effecting any such modification or exercising any such remedy.

8. **Trust Fund Fee**

8.1 The Bank shall calculate a fee each time funds (the “Grant Amount”) from the Trust Fund become committed under a Grant Agreement. Such commitment shall occur when such Grant Agreement is fully countersigned (the “Calculation Date”). The fee so calculated by the Bank shall be based on the cumulative total of funds from the Trust Fund committed under all Grant Agreements that have been fully countersigned on or prior to the Calculation Date (the “Cumulative Grant Total”). The calculated fee shall depend on where the Cumulative Grant Total stands as the Grant Amount is added and shall be determined in accordance with the following schedule:

(i) 5% of any portion of the Grant Amount that results in a Cumulative Grant Total below or equal to US$ 50 million or equivalent; plus

(ii) 4% of any portion of the Grant Amount that results in a Cumulative Grant Total above US$ 50 million or equivalent and below or equal to US$ 500 million or equivalent; plus

(iii) 3% of any portion of the Grant Amount that results in a Cumulative Grant Total above US$ 500 million or equivalent and below or equal to US$ 1 billion or equivalent; plus

(iv) 2% of any portion of the Grant Amount that results in a Cumulative Grant Total above US$ 1 billion or equivalent.

8.2 Following each Calculation Date, the Bank shall deduct from the Trust Fund, and retain for its own account, the fee as set forth above. Grant Amounts may not exceed the balance of uncommitted funds in the Trust Fund net of the related fee.
GOVERNANCE OF THE ACTIVITIES

This Annex shall be applicable to and form an integral part of the Administration Agreement for the Trust Fund between the Bank and the Donor.

Working Modalities

1. A Project Steering Committee (PSC) comprised of representatives from each Entity, the Bank and the EU Delegation to BiH (EUD), chaired by the EUD, will be established to oversee project implementation. The PSC will:

   (a) provide strategic guidance for Project implementation;
   (b) coordinate and facilitate overall linkages with the broader public sector reform program;
   (c) review semi-annual reports on the implementation of Project activities prior to each Entity’s submission to the Bank and the EU; and
   (d) meet quarterly to: review the progress of Project implementation; discuss implementation challenges or any outstanding issues that require resolution; identify potential risks, if any, and discuss applicable mitigation measures.

In addition to participation in PSC meetings, the Bank team will share copies of Aide Memoires with the EUD, and convene briefing meetings at the end of every mission, or at the request of the EUD. Subject to the approval from all representatives to the PSC, other donors or key stakeholders could be invited to the PSC meetings.

2. Management Board

A Management Board (Board) comprising high representatives of the participating governments will be established. The Board will meet every six months to review the progress of implementation of the Project, acknowledge progress reports, and discuss recommendations and the ways of their implementation. Core reform activities financed under the Project shall be reviewed during these meetings and proposals for other reform areas in line with the Reform Agenda and Public Administration Reform discussed and forwarded to the PSC.
## INDICATIVE RESULTS FRAMEWORK INDICATORS

<table>
<thead>
<tr>
<th>Expected Results (logic of intervention)</th>
<th>Indicators</th>
<th>Baselines</th>
<th>Result goals</th>
<th>Sources of data</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact</td>
<td>Improved efficiency and fiscal sustainability of public administration in Bosnia and Herzegovina.</td>
<td>Data and control of staffing levels at all levels of authority in the Entities (ministries and agencies, and cantons; municipalities; extra-budgetary funds; and health institutes) are improved in full conformity with division of authorities between respective authority levels.</td>
<td>Consistent and harmonized data on employees at all levels in BiH (ministries and agencies of the Council of Ministers, the Entities, and cantons; municipalities; extra-budgetary funds; and health institutes) is in place and regularly updated based on the data from the registries.</td>
<td>Decrees from the Council of Ministers, Entities, and cantons authorizing the establishment of the registries; IMF and WB reports</td>
<td>The establishment of the registries will not be derailed by legal challenges or the beneficiary institutions. This Action will include a review of legal issues and implementation arrangements in order to mitigate this risk.</td>
</tr>
<tr>
<td>Outcome(s)</td>
<td>Staffing at all levels of authority in the Entities is rebalanced in line with the recommendations from the functional reviews.</td>
<td>Number of operational plans for rightsizing of employees in public sector at the level of Council of Ministers, Entities, and cantons in 2018 and 2019</td>
<td>Report on Functional reviews with recommendations prepared by the Bank and agreed with the governments. Approved operational plans of the Council of Ministers, Entities, and cantons</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Public sector pay structure at all levels of authority in the Entities is rationalized and simplified.</td>
<td>Number of approved amendments to relevant salary laws at the level of Council of Ministers, Entities, and cantons following the better regulation approach</td>
<td>Amended laws and government decrees published in Official Gazettes at all levels IMF and Bank reports</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indicator(s)</td>
<td>Composite indicator (average of Government Effectiveness, Burden of Government Regulation and Regulatory Quality) – 1 (Worst) - 100 (Best)</td>
<td>45.25 (2012)</td>
<td>50</td>
<td>Annual report on the progress in the implementation of the Reform Agenda</td>
<td></td>
</tr>
<tr>
<td>Expected Results (logic of intervention)</td>
<td>Indicators</td>
<td>Baselines</td>
<td>Result goals</td>
<td>Sources of data</td>
<td>Assumptions</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>------------</td>
<td>-----------</td>
<td>--------------</td>
<td>----------------</td>
<td>-------------</td>
</tr>
<tr>
<td>% of GDP savings in relation to wage bill reductions of Council of Ministers, Entities, and cantons in the 2018 and 2019 government budgets</td>
<td>0% of GDP (wage bill reduction in 2016)</td>
<td>0.3% of GDP</td>
<td>MoF expenditure data</td>
<td>IMF Reports</td>
<td></td>
</tr>
<tr>
<td>Consistent and harmonized data on employees at all levels in BiH.</td>
<td>0 per cent of all employees in registries (2016)</td>
<td>80 per cent of all employees in registries</td>
<td>Consistent and harmonized data on employees</td>
<td>WB reports</td>
<td></td>
</tr>
<tr>
<td>Number of operational plans for rightsizing of employees in public sector at the level of Council of Ministers, Entities, and cantons in 2018, and 2019</td>
<td>0 plans approved (2016)</td>
<td>8 plans approved</td>
<td>Government decrees</td>
<td>IMF reports</td>
<td>WB reports</td>
</tr>
<tr>
<td>Number of approved amendments to relevant salary laws at the level of Council of Ministers, Entities, and cantons following the better regulation approach</td>
<td>1 salary law amended (RS in 2014)</td>
<td>5 salary laws in BiH amended</td>
<td>Official gazettes</td>
<td>WB Reports</td>
<td>IMF Reports</td>
</tr>
</tbody>
</table>

**Output(s)**

(i) Recommendations on wage bill reductions/savings  
(ii) Recommendations on the regulatory and institutional arrangements to support the.Registries  
(iii) Functional and technical specifications for the Registries  
(iv) Payroll audit  
(v) Functional reviews in selected ministries and agencies  
(vi) Horizontal staffing and expenditure reviews  
(vii) Report on public sector pay benchmarking

The results framework is indicative and is subject to change without the need for further amendment to this Administration Agreement. Modifications to the results framework shall be reflected in the World Bank's Development Partner Center secure website. The results framework is for monitoring and evaluation purposes only and progress against it shall not be taken into account to determine the final amount of the Contribution to the Trust Fund by the European Commission.