Project Agreement

(Additional Financing for Health Sector Enhancement Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

REPUBLIKA SRPSKA

Dated July 27, 2011
PROJECT AGREEMENT

Agreement dated July 27, 2011, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and REPUBLIKA SRPSKA ("Project Implementing Entity") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") between BOSNIA AND HERZEGOVINA ("Recipient") and the Association for this Project. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II - PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out Part B of the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III - TERMINATION

3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty years after the date of this Agreement.

ARTICLE IV - REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is its Minister of Finance.
4.02. The Association’s Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable: Telex: Facsimile:
INDEVAS 248423(MCI) 1-202-477-6391
Washington, D.C.

4.03. The Project Implementing Entity’s Address is:

RS Ministry of Finance
Trg Republike Srpske 1
Banja Luka, Republic of Srpska
Bosnia and Herzegovina

Facsimile:
387 51 339 645

AGREED at Banja Luka, Bosnia and Herzegovina, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

Authorized Representative

REPUBLICA SRPSKA

Authorized Representative
SCHEDULE

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

Section I.

A. Implementation Arrangements

1. The RS MOH shall carry out Part B of the Project through the RS PCU, which shall be responsible for the day-to-day implementation, coordination, including procurement and financial management and environmental aspects, of Part B of the Project. The RS MOH and the RS PCU shall each carry out their respective responsibilities in accordance with the Project Implementation Manual.

2. RS shall maintain the RS PCU within the RS MOH until completion of the Project, at all times with adequate staff, funds, facilities and other resources required for this purpose and in a manner satisfactory to the Association.

3. (a) RS shall adopt and thereafter maintain for use throughout implementation of Part B of the Project, the revised Project Implementation Manual, in form and content satisfactory to the Association, and shall duly perform all its obligations under the Project Implementation Manual and shall not take or concur in any action which would have the effect of amending, assigning, abrogating or waiving the Project Implementation Manual without consultation with, and obtaining the prior approval of, the Association.

(b) Without limitation to its obligations under sub-paragraph (a) above, Republika Srpska, shall comply with its obligations and the procedures set forth in its revised Project Implementation Manual relating to land transfer and land title and shall not undertake any construction under Part B of the Project on any newly identified sites unless and until:

(i) such site is determined to be municipal land free of all and any encumbrances;

(ii) requisite land title has been legally and appropriately transferred for use under, and for the purposes of, the Project, including all necessary registration of title in accordance with the Recipients legislation and regulations concerning land title transfer;

(iii) adequate and inclusive public disclosure and consultation has taken place; and
(iv) an environmental management plan in respect of the new construction has been prepared and approved for use during construction;

all in accordance with the procedures set forth in the Republika Srpska Project Implementation Manual.

B. Subsidiary Agreement

1. To facilitate the carrying out of Part B of the Project, Republika Srpska shall enter into a subsidiary agreement with the Recipient pursuant to which the Recipient shall make part of the proceeds of the Credit available to Republika Srpska ("RS Subsidiary Agreement"), under terms and conditions approved by the Association, which shall include the following:

   (i) the Recipient shall relend to Republika Srpska an amount in Euro equivalent to the amount of the Credit allocated from time to time to Category 4 set forth in the table in paragraph 2 of Part A of Section VI of Schedule 2 to the Financing Agreement;

   (ii) the term of the Subsidiary Credit shall be 20 years, including a 10-year grace period;

   (iii) the Recipient shall charge Republika Srpska a commitment charge at a rate equal to the rate payable under Section 2.03 of the Financing Agreement, on the principal amount of the Subsidiary Financing not withdrawn from time to time;

   (iv) the Recipient shall charge Republika Srpska a service charge on the principal amount of the Subsidiary Financing withdrawn and outstanding from time to time at a rate equal to the rate payable under Section 2.04 of the Financing Agreement; and

   (v) the principal amount of the Subsidiary Financing shall be repayable in Euro and shall be the equivalent in SDRs (determined as of the date or respective dates of repayment) of the value of currency or currencies withdrawn from the Financing Account on account of expenditures for the Project.

2. Republika Srpska shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, Republika Srpska shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.
C. Anti-Corruption

The Project Implementing Entity shall ensure that its Respective Part of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Safeguards

1. The Project Implementing Entity shall take all measures necessary for the carrying out of the RS Environmental Management Plan in a manner satisfactory to the Association, including the environmental, mitigation, monitoring and institutional measures to be applied in the implementation of Part B of the Project.

2. Without limitation to Section 1.A.3 and paragraph 1 above, and for the purposes of any new construction under Part B of the Project, the Recipient shall ensure that no involuntary transfer of land takes place which would result in (a) relocation or loss of shelter of any person; (b) loss of assets or access to assets for any person or (c) loss of income sources or means of livelihood to any person (whether or not such person may be required to move to another location as a result of the land transfer).

3. Without limitation on the generality of its obligations under this Sub-Section D and to the Republika Srpska’s obligations under Sub-Section A.3 of this Section I, RS shall ensure that in carrying out any construction under Part B it shall follow the policies and procedures set forth in its Project Implementation Manual with regard to land title requirements and land transfer.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of Part B of the Project and prepare Project Reports for Part B of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later 45 days after the end of the period covered by such report for incorporation and forwarding by the Project Implementing Entity to the Association of the overall Project Report.

2. The Project Implementing Entity shall provide to the Association not later than four months, for incorporation in the report referred to in Section 4.08 (c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.
B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to Part B the Project.

2. The Project Implementation Entity shall ensure that interim unaudited financial reports for Part B of the Project are prepared and furnished to the Association not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the Association.

3. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Recipient. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than six months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

Section III. Procurement

All goods, works and services required for the Project Implementing Entity’s Part B of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.