Republika Srpska Project Agreement

(Employment Support Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

REPUBLIKA SRPSKA

Dated September 22, 2017
PROJECT AGREEMENT

Agreement dated September 28, 2017, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and REPUBLIKA SRPSKA ("RS" or "Project Implementing Entity") ("Project Agreement") in connection with the Loan Agreement ("Loan Agreement") between Bosnia and Herzegovina ("Borrower") and the Bank. The Bank and the RS hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II — PROJECT

2.01. The RS declares its commitment to the objective of the Project. To this end, the RS shall carry out Part B of the Project in accordance with the provisions of Article V 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 Bank and the Project Implementing Entity shall otherwise agree, the RS shall carry out Part B of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. The Project Implementing Entity’s Representative is the Minister of Finance of the RS.

3.02. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America
3.03. The RS’s Address is:

Ministry of Finance of Republika Srpska
Trg Republika Srpske 1
78000 Banja Luka
Bosnia and Herzegovina

Facsimile:
387 51 339 655

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

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: [Signature]
Authorized Representative
Name: LINDA VAN GELDER
Title: COUNTRY DIRECTOR

REPUUBLIKA SRPSKA

By: [Signature]
Authorized Representative
Name: ZORAN TEGELTIJA
Title: MINISTER OF FINANCE
### SCHEDULE

#### Execution of Part B of the Project

**Section I. Implementation Arrangements**

**A. Institutional Arrangements**

1. The RS, through MOLVA, shall:
   
   (a) be responsible for the day-to-day implementation of Part B of the Project, including procurement, financial management, verification and reporting on the applicable DLIs.
   
   (b) 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 Committee**

1. To promote effective implementation of Part B of the Project, the RS through MOLVA shall:
   
   (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 of representatives from the MOLVA, MoF for the RS, OPGRS, MoIEM, RS PES and any other institution appointed by the RS to oversee and provide policy guidance on its Respective Part of the Project; 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 *inter alia* monitoring of Project implementation progress and removal of bottlenecks; and (iii) facilitates information exchange among the RS’s Participating Institutions.


1. The RS, through MOLVA, shall:
   
   (a) implement Part B of the Project in accordance with the RS POM and the Manual of Procedures for Public Employment Services; and
(b) not amend or waive, or permit to be amended or waived, the RS POM, or Manual of Procedures for Public Employment Services or any provision thereof, except with the prior written approval of the Bank.

D. RS Subsidiary Agreement

1. To facilitate the carrying out of Part B of the Project, the RS shall receive a portion of the proceeds of the Loan made available by the Borrower 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 Part B of the Project in accordance with the terms of the Project Agreement;

(b) the RS shall receive 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 the Loan 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 the Loan Agreement, on the equivalent of the principal amount 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 the Loan Agreement;

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

(g) the principal amount 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.

2. The RS shall exercise its rights and carry out its obligations under the RS Subsidiary Agreement, in such manner as to protect the interests of the RS, and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall
otherwise agree, the RS shall not assign, amend, abrogate or waive the RS Subsidiary Agreement or any of its provisions.

E. Anti-Corruption

The RS shall ensure that Part B of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation.

A. Project Reports

1. The RS shall monitor and evaluate the progress of Part B of the Project and prepare Project Reports for Part B the Project in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of indicators acceptable to the Bank. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Borrower not later two weeks after the end of the period covered by such report, for incorporation and forwarding by the Borrower to the Bank of the overall Project Report.

2. The RS shall provide to the Borrower, not later than four (4) months after the Closing Date, for incorporation in the report referred to in Section 5.08 (c) of the General Conditions, all such information as the Borrower or the Bank shall reasonably request for the purposes of that Section.

B. Financial Management, Financial Reports and Audits

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

2. The RS shall have its financial statements referred to above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one fiscal year of the RS. The RS shall ensure that the audited financial statements for each period shall be: (a) furnished to the Borrower and the Bank not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.

3. In implementing Part B.1.1 of the Project, the RS shall carry out DLIs audits as part of the overall audit of Part B of the Project 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 (b) the DLIs for the Year covered by the audit have been met.

Section III. Procurement

All goods and services required for Part B of the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.