Federation/FRD Project Agreement

(Road Infrastructure and Safety Project)

among

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

FEDERATION OF BOSNIA AND HERZEGOVINA

and

PUBLIC COMPANY ROAD DIRECTORATE OF THE FEDERATION OF BOSNIA AND HERZEGOVINA

Dated May 22, 2008
CREDIT NUMBER 4371-BOS

PROJECT AGREEMENT


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 Federation and FRD declare their commitment to the objectives of the Project. To this end, the Federation, through FRD, shall carry out Part 1 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, the Federation and FRD shall otherwise agree, the Federation, through FRD, shall carry out its respective part of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III - REPRESENTATIVE; ADDRESSES

3.01. The Federation’s Representative is the Minister of Finance of the Federation of Bosnia and Herzegovina.

3.02. FRD’s Representative is the Director of FRD.
3.03. The Association’s Address is:

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

Cable: INDEVAS
Telex: 248423(MCI)
Facsimile: 1-202-477-6391

3.04. The Federation’s Address is:

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

Facsimile: 387 33 203 152

3.05. FRD’s Address is:

Public Company Road Directorate of the Federation of Bosnia and Herzegovina
JP Direkcija cesta Federacije BiH
Terezija 54
Sarajevo
Bosnia and Herzegovina

Facsimile: 387 33 250 400
AGREED at Sarajevo, Bosnia and Herzegovina, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Marco Mantovanelli
Authorized Representative

FEDERATION OF BOSNIA AND HERZEGOVINA

By /s/ Borjana Kristo
Authorized Representative

PUBLIC COMPANY ROAD DIRECTORATE OF
THE FEDERATION OF BOSNIA AND
HERZEGOVINA

By /s/ Ljubo Pravdic
Authorized Representative
SCHEDULE

Execution of the Federation’s Respective Part of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

The Federation, through FRD, shall carry out its respective part of the Project in accordance with the following institutional arrangements:

1. Part 1 of the Project shall be carried out by the Federation, through FRD, in accordance with the terms and conditions of the Financing Agreement.

2. The Federation shall maintain FRD at all times during Project implementation, with terms of reference and resources satisfactory to the Association, and with competent staff in adequate numbers.

3. The Federation, through FRD, shall:
   (i) take all measures necessary to perform its respective obligations under the FM Manual and the EMP in a timely manner and in accordance with its respective terms, and apply and implement, as the case may be, the actions, criteria, policies, procedures and arrangements therein set forth; and
   (ii) not amend or waive, or permit to be amended or waived the FM Manual or EMP or any provisions of any one thereof, except with the prior written approval of the Association.

4. The Federation shall ensure that no change is made to the Priority Program of Rehabilitation Works, except with the prior written approval of the Association.

5. The Federation shall, during implementation of the Project, increase the resources available for maintenance works on public roads by five percent (5%) annually, starting from the budget for the year 2008, and to use such additional resources for maintenance of public roads.

B. Anti-Corruption

The Federation, through FRD, shall ensure that its respective part of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
Section II.  Subsidiary Agreement

1.  To facilitate the carrying out and financing of Part 1 of the Project, the Recipient shall relend a part of the proceeds of the Credit allocated to Categories 1, 2 and 3 set forth in the table in Part A.2, Section IV of Schedule 2 to the Financing Agreement, amounting to Euro equivalent to eight million two hundred thousand Special Drawing Rights (SDR 8,200,000) to the Federation, and the Federation shall relend said proceeds of the Credit to FRD, under a subsidiary credit agreement among the Recipient, the Federation and FRD (“Federation/FRD Subsidiary Credit Agreement”), under terms and conditions approved by the Association, which shall include the following:

   (i)  the principal amount of the Sub-Credit shall be repaid by the FRD to the Federation in Euro in equal semi-annual installments over twenty (20) years, including a grace period of ten (10) years;

   (ii) the principal amount of the Subsidiary Credit shall be repaid by the Federation to the Recipient in Euro in accordance with the same terms as those provided under Sections 2.05 and 2.06 of the Financing Agreement and shall be the equivalent in SDRs (determined as of the date or respective dates of repayment) of the value of the currency or currencies withdrawn from the Financing Account on account of the Federation/FRD Subsidiary Credit Agreement;

   (iii) the term of the Subsidiary Credit shall be twenty (20) years, including a ten (10) year grace period;

   (iv) the Recipient shall charge the Federation a commitment charge on the Unwithdrawn Subsidiary Credit Balance at a rate equal to the rate payable under Section 2.03 of the Financing Agreement;

   (v)  the Federation shall charge FRD a commitment charge on the Unwithdrawn Sub-Credit Balance at a rate equal to the rate payable by the Recipient under Section 2.03 of the Financing Agreement;

   (vi) the Recipient shall charge the Federation 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

   (vii) the Federation shall charge FRD 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.

2.  The Federation and FRD shall exercise their rights under the Federation/FRD Subsidiary Credit 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, the Federation and FRD shall not assign, amend, abrogate or waive the Federation/FRD Subsidiary Credit Agreement or any of its provisions.

**Section III. Project Monitoring, Reporting and Evaluation**

A. Project Reports

1. The Federation, through FRD, shall monitor and evaluate the progress of its respective part of the Project and prepare Project Reports for its respective part of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Recipient not later than forty-five (45) days after the end of the period covered by such Report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

2. The Federation, through the FRD, shall:

   (i) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about December 31, 2009, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 1 of this Part A, on the progress achieved in the carrying out of the Federation’s respective part of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of its respective part of the Project and the achievement of the objectives thereof during the period following such date; and

   (ii) review with the Association, by January 31, 2010, or such later date as the Association shall request, the report referred to in the preceding sub-paragraph (i), and, thereafter, the Federation shall take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association’s views on the matter.

B. Financial Management, Financial Reports and Audits

1. The Federation shall maintain, and shall cause FRD to 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 Federation and FRD, including the operations, resources and expenditures related to its respective part of the Project.
2. The Federation, through FRD, shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering such quarter, in form and substance satisfactory to the Association.

3. The Federation, through FRD, shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Federation. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section IV. Procurement

All goods, works and services required for the Federation and FRD’s respective part 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, Schedule 2 to the Financing Agreement.