Project Agreement

(Drina Flood Protection Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

FEDERATION OF BOSNIA AND HERZEGOVINA

Dated October 21, 2014
CREDIT NUMBER 5444-BA

PROJECT AGREEMENT

Agreement dated October 21, 2014, entered into between the INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and the FEDERATION OF BOSNIA AND HERZEGOVINA (“Federation”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) for the same Project between BOSNIA AND HERZEGOVINA (“Recipient”) and the Association. The Association and the Federation 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 Federation declares its commitment to the objectives of the Project. To this end, the Federation 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 the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Federation shall otherwise agree, the Federation shall implement Part B 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 (20) years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Federation’s Representative is the Minister of Finance of the Federation...

4.02. The Association’s Address is:

International Development Association
1818 H Street, NW
Washington, DC20433
United States of America
Cable: INDEVAS
Telex: 248423(MCI)
Facsimile: 1-202-477-6391
Washington, D.C.

4.03. The Federation's Address is:

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

Facsimile:
387 33 203 152

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]
Authorized Representative

Name: ANABECA ABREU
Title: COUNTRY MANAGER

FEDERATION OF BOSNIA AND HERZEGOVINA

By

[Signature]
Authorized Representative

Name: ZIVKO ASHUBNIR
Title: PRESIDENT

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SCHEDULE

Execution of Part B of the Project

Section I.

A. Implementation Arrangements

1. The Federation shall, through the Federation MoAWF, carry out Part B of the Project. The Federation MoAWF shall be responsible for the day-to-day implementation, including procurement and financial management of the Project in the Federation.

2. The Federation shall maintain the Federation PIU within the Federation MoAWF 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 shall not amend or waive, or permit to be amended or waived, the POM, or any provision thereof, except with the prior written approval of the Association.

4. The Federation shall duly perform all of its obligations under the POM in a timely manner and in accordance with its terms, and apply and implement, as the case may be, the actions, policies, procedures and arrangements therein set forth.

B. Subsidiary Agreement

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

   (a) the Recipient shall make available to the Federation an amount in Euro equivalent to the amount of the Financing allocated from time to time to Category (2) as set forth in the table in Schedule 2, Section IV, Part A paragraph 2 to the Financing Agreement;

   (b) the term of the Subsidiary Financing shall be twenty-five (25) years, including a five (5) year grace period;

   (c) the Recipient shall charge the Federation 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;

   (d) 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;
(e) the principal amount of the Subsidiary Financing shall be repayable in Euros 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; and

(f) the Recipient shall charge the Federation interest on the withdrawn Subsidiary Financing at a rate of one and a quarter percent (1.25%).

2. The Federation shall exercise its rights under the Federation Subsidiary Agreement in such manner as to protect its interests, 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 shall not assign, amend, abrogate or waive the Federation Subsidiary Agreement or any of its provisions.

C. Anti-Corruption

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

D. Safeguards

The Federation shall:

1. carry out Part B of the Project in accordance with the Environmental Assessment (the “EA”) and the Resettlement Policy Framework (“RPF”) for part B of the Project;

2. prior to carrying out any works, prepare site-specific Environmental Management Plan(s) (“EMPs”) in accordance with the EA, in form and substance satisfactory to the Association, and to implement Project activities in accordance with the respective EMPs;

3. prior to carrying out any works under the Project requiring land acquisition, prepare a Resettlement Action Plan (“RAP”) and ensure that it is implemented by the respective municipalities of Gorazde, Foca-Ustikolina and Pale-Praca within the Bosnian Podrinje Canton, including by providing appropriate compensation, consistent with the provisions of the RPF and site-specific RAP, to all owners and users of the land where works are to be implemented; and

4. not assign, amend, abrogate or waive the RPF and/or RAP or any provision thereof, without the prior approval of the Association.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Federation shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators acceptable to the Association. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Recipient
not later two weeks 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 shall provide to the Recipient in a timely manner, 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 Federation shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association in a manner adequate to reflect the operations, resources and expenditures related to the Project.

2. The Federation 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 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 III. Procurement**

All goods, works and services required for 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.