



CREDIT NUMBER 5529-BA

Federation Project Agreement

(Floods Emergency Recovery Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

FEDERATION OF BOSNIA AND HERZEGOVINA

Dated

July 30, 2014



CREDIT NUMBER 5529-BA

PROJECT AGREEMENT

Agreement dated *July 30*, 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") between BOSNIA AND HERZEGOVINA ("Recipient") and the Association for the same Project. 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) including the Modifications contained in Section II of the Appendix 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 A 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 Federation shall otherwise agree, the Federation 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 (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, DC 20433
United States of America

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423(MCI)

1-202-477-6391

4.03. The Federation's Address is:

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:



Authorized Representative

Name: ANABELA ARBU

Title: COUNTRY MANAGER

FEDERATION OF BOSNIA AND HERZEGOVINA

By:



Authorized Representative

Name: ŽIVKO BUDIMIR

Title: PRESIDENT

SCHEDULE

Execution of the Federation's Respective Part of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Federation shall carry out Part A of the Project through its PIU, which shall be responsible for the day-to-day implementation, including procurement and financial management, of Part A of the Project.
2. The Federation shall maintain the PIU within the Federation's MOAWMF until the completion of the Project, or such earlier date as may be agreed with the Association, with terms of reference, resources, and competent staff in adequate numbers as required for this purpose in a manner satisfactory to the Association.
3. The Federation shall adopt and thereafter maintain the Project Operation Manual, in form and content satisfactory to the Association, which shall include:
 - (a) the criteria for selection of the worst affected areas within the Floods Affected Areas that are eligible for assistance under the Project, based on a formula derived from the Recovery Needs Assessment;
 - (b) the criteria for the allocation of funds, taking into account the RNA;
 - (c) the arrangements for the involvement of local governments in the prioritization of Sub-projects under Part A.2. supported by the Project; and
 - (d) the screening/eligibility criteria for Sub-projects and procedures for the appraisal, implementation and monitoring of Sub-projects.
4. The Federation shall duly perform all its obligations under the Project Operation Manual and shall not take or concur in any action which would have the effect of amending, assigning, abrogating or waiving the Project Operation Manual without obtaining the prior approval of the Association.
5. The Federation shall establish a Federation Steering Committee, with representation and terms of reference satisfactory to the Association, by no later than August 31, 2014.

B. Subsidiary Agreement

1. To facilitate the carrying out of Part A 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 Credit 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 Credit allocated from time to time to Categories (1) and (2) 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 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 Credit 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 its Respective Part of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Sub-projects

1. With respect to Part A.2 of the Project, the Federation shall ensure that Sub-projects shall be selected, appraised, implemented and evaluated by the PIU in accordance with the Project Operation Manual, the Environmental and Social Management Framework, the Resettlement Policy Framework, any site-specific Environmental Management Plans and Resettlement Action Plans, if required, and the Anti-Corruption Guidelines.
2. Notwithstanding the provisions of paragraph 1 above, the Federation shall ensure that the following criteria apply to the selection of Sub-projects:
 - (a) that the proposed Sub-project is in compliance with all requirements pertaining to environmental protection applicable under the laws and regulations of the Recipient and with the Environmental and Social Management Framework and the Resettlement Policy Framework. To that end, the Federation shall furnish evidence satisfactory to the Association showing that the Sub-project, in respect of which the application has been made, has been prepared in accordance with such procedures, including, where appropriate, an Environmental Management Plan prepared in accordance with the requirements of the Environmental and Social Management Framework and a Resettlement Action Plan prepared in accordance with the requirements of the Resettlement Policy Framework; and
 - (b) that the Sub-project does not include activities to be carried out in:
 - (i) Natural Habitats or Critical Natural Habitats, as defined in the World Bank's Operational Policy 4.04, Annex A; or
 - (ii) Forests, as defined in the World Bank's Operational Policy 4.36, Annex A;
 - (c) that the Sub-project does not include activities related to dams higher than three meters;
 - (d) that Sub-project sites where land ownership is disputed or where land leases are shorter than fifteen (15) years are to be avoided;
 - (e) that Sub-project sites that involve known or suspected risks regarding landmines or unexploded ordnance are to be excluded and that Sub-projects do not include demining activities; and
 - (f) that the Sub-project has been approved by the Federation Steering Committee.

E. Safeguards

1. The Federation shall carry out its Respective Part of the Project in accordance with the Environmental and Social Management Framework, the Resettlement Policy Framework, any site-specific Environmental Management Plans and Resettlement Action Plans, and the Project Operation Manual, and shall not assign, amend, suspend, abrogate, repeal or waive any provision of the Environmental and Social Management Framework, the Resettlement Policy Framework, any site-specific EMPs or RAPs, or the Project Operation Manual without prior approval of the Association.
2. For the purposes of Part A.2 of the Project, the Federation shall:
 - (a) prior to the issuance of any bidding documents for works contracts for Sub-projects, prepare the proposed design and site for said works and the related site-specific EMP to the extent required by the ESMF;
 - (b) prior to the signing of the contract for said works, prepare and submit to the Association for its approval the site-specific Resettlement Action Plan(s) in form and substance satisfactory to the Association, if required; and
 - (c) prior to the commencement of the works, ensure that the owners and users of the land where said works are to be implemented are fully compensated in accordance with the provisions of the RAP(s), if required.
3. The Federation shall ensure the complete implementation of the EMPs in a manner acceptable to the Association, including all necessary measures to minimize and to mitigate any adverse environmental impacts caused by the implementation of the Project.
4. Whenever temporary resettlement is required for purposes of implementation of a Sub-project, the Federation shall ensure that the PIU:
 - (a) prepares RAPs according to the RPF; and
 - (b) maintains or causes to be maintained, and publicizes or causes to be publicized, the availability of grievance procedures to hear and determine fairly and in good faith, in accordance with the RPF, all complaints raised in relation to the implementation of the RAPs by those being resettled (as that term is defined in the RAP) or by those in host communities who are adversely affected by the implementation of the RPF, and takes all measures necessary to implement the determinations made under such grievance procedures.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Federation 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 the indicators acceptable to the Association. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Association and copied to the Recipient not later than forty-five (45) days after the end of the period covered by such report.
2. Without limitation upon the Federation's progress reporting obligations set out in paragraph 1 above, the Federation shall, not later than twenty-six (26) months after the date of this Agreement, prepare and furnish to the Recipient and the Association a progress report, in form and substance satisfactory to the Association, which:
 - (a) sets forth sources and uses of funds for the Project since the Effective Date;
 - (b) describes physical progress in Project implementation since the Effective Date; and
 - (c) sets forth the status of procurement and disbursement under the Project, as at the end of the period covered by said report.
3. The Federation agrees that, following consultations with the Recipient and the Association on the report referenced in paragraph 2 above, the Federation shall take measures necessary to ensure the full disbursement of Project funds, for its Respective Part of the Project, by the Closing Date.
4. The Federation shall provide to the Recipient not later than three months after the Closing Date, 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, both in a manner adequate to reflect the operations and financial condition of the Federation, including the operations, resources and expenditures related to its Respective Part of the Project.

2. The Federation shall ensure that interim unaudited financial reports for 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 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 Federation. The Federation shall contribute to ensuring that the Recipient furnishes audited financial statements for each such period to the Association not later than six (6) months after the end of the period.

Section III. Procurement

All goods, works and services required for the Federation'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 Schedule 2, Section III of the Financing Agreement.