Federation Project Agreement

(Avian Influenza Preparedness Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

FEDERATION OF BOSNIA AND HERZEGOVINA

Dated August 31, 2007
CREDIT NUMBER 4331 BOS

PROJECT AGREEMENT

Agreement dated August 31, 2007, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and FEDERATION OF BOSNIA AND HERZEGOVINA (“Federation” or “FBH”) (“Project Agreement”) in connection with the Financing Agreement of same date between BOSNIA AND HERZEGOVINA (“Recipient”) and the Association (the “Financing Agreement”). 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 the Project 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:

(a) through its representatives on the TSG from the Federation MOA and the Federation MOH; and

(b) through the support to be provided to the TSG by the Federation PIU for the purposes of Part 2 of the Project;

shall participate in the carrying out of Part 2 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:

(a) through its representatives on the TSG from the Federation MOA and the Federation MOH; and

(b) through the support to be provided to the TSG by the Federation PIU for the purposes of Part 2 of the Project;
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. The Association’s Address is:

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

Cable: INTBAFRAD
Telex: 248423(MCI) or 1-202-477-6391
Facsimile: 64145(MCI)

3.03. The Federation’s Address is:

Federal Ministry of Finance
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 /s/ Marco Mantovanelli  
Authorized Representative

FEDERATION OF BOSNIA AND HERZEGOVINA

By /s/ Borjana Kristo  
Authorized Representative
SCHEDULE

Execution of the Federation’s Respective Part of the Project

Section I. Institutional Arrangements

The Federation shall carry out its Respective Part of the Project in accordance with the following coordination mechanisms:

1. The Technical Support Group (TSG) shall have overall responsibility for Project implementation, and for the purposes of Part 2 of the Project shall be supported by the Federation PIU. The TSG shall comprise the following staff, whose qualifications and terms of reference shall be satisfactory to the Association: (i) a Project Coordinator, who shall be a permanent civil servant within SVO and who shall report to the Minister of Foreign Trade and Economic Relations of the Recipient, who in turn shall report to the Recipient’s Council of Ministers; (ii) one representative of MCA; (iii) one representative of Federation MOA; (iv) one representative of Federation MOH; (v) one representative of RS MOA; (vi) one representative of RS MOH; (vii) a communications specialist; and (viii) a monitoring and evaluation specialist.

2. The Federation, through the Federation MOA and the Federation MOH, respectively, shall appoint and thereafter maintain at all times during Project implementation, two duly qualified representatives on the TSG, with terms of reference and resources satisfactory to the Association, and shall cause such representatives at all times to participate in the performance of TSG’s obligations under the Project in a timely and effective manner, and in accordance with the terms of the Project Operational Manual, the Federation FM Manual and the Poultry Culling Compensation Scheme Manual.

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

4. The Federation, through the Federation PIU, shall cause procurement and financial management activities under Part 2 of the Project to be carried out by the Federation PIU in accordance with the terms and conditions of the Financing Agreement, the General Conditions, the Project Operational Manual, the Federation FM Manual and the Poultry Culling Compensation Scheme Manual.

Section II. Implementation Covenants

1. The Federation, through the Federation MOA, the Federation MOH and the Federation PIU, shall implement its Respective Part of the Project in accordance with the Environmental Management Plan, the Project Operational Manual, the Federation FM Manual and the Poultry Culling Compensation Scheme Manual, respectively. The
Federation: (i) shall maintain the Environmental Management Plan, the Project Operational Manual, the Federation FM Manual and the Poultry Culling Compensation Scheme Manual each in form and content acceptable to the Association; (ii) shall duly perform all its obligations under the Environmental Management Plan, the Project Operational Manual, the Federation FM Manual and the Poultry Culling Compensation Scheme Manual in a timely manner and in accordance with their respective terms, and apply and implement, as the case may be, the criteria, policies, procedures and arrangements therein respectively set forth; and (iii) shall not assign, amend, abrogate or waive the Environmental Management Plan, the Project Operational Manual, the Federation FM Manual or the Poultry Culling Compensation Scheme Manual or any provision of any one thereof, without obtaining the prior written approval of the Association.

2. Without limitation upon the provisions of paragraph 1 of this Section II of the Schedule to this Agreement, the Federation shall perform its obligations under the Poultry Culling Compensation Scheme in a timely manner and in accordance with the Recipient’s Veterinary Law, published in the Recipient’s Official Gazette No. 34/02, and the Compulsory Instructions on Measures for Determination, Prevention and Eradication of Avian Influenza of the Veterinary Office of Bosnia and Herzegovina, No. 01-1-27-692-44/05, dated October 26th 2005, and pay cash compensation to poultry owners referred to in Part 2.D of Schedule I to the Financing Agreement.

3. The Federation, for the purposes of making available its counterpart contribution to the financing of the Project, shall: (i) open and maintain during the implementation of the Project, an account (the Project Account) in the Federation MOF; and (ii) make quarterly contributions to the Project Account, in the amount equivalent to fifteen thousand Special Drawing Rights (SDR 15,000), starting three (3) months after the date of the initial contribution referred to in paragraph (1)(c) of Part B of Section VI of Schedule 2 to the Financing Agreement.

Section III. Subsidiary Agreement

1. To facilitate the carrying out of Part 2 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 (“Federation Subsidiary Agreement”), under terms and conditions approved by the Association, which shall include the following:

(i) the Recipient shall relend to the Federation an amount in various currencies equivalent to one million nine hundred thousand Special Drawing Rights (SDR 1,900,000), being the amount of the Credit allocated from time to time to Categories (1), and (2) 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 twenty (20) years, including a ten (10)-year grace period;

(iii) 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;

(iv) 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

(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. The Federation shall exercise its rights under the Federation 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, the Federation shall not assign, amend, abrogate or waive the Federation Subsidiary Agreement or any of its provisions.

Section IV. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. (a) The Federation, through the Federation PIU, shall provide to the TSG whatever support may be required to monitor and evaluate the progress of its Respective Part of the Project and shall assist the TSG to prepare Project Reports in accordance with the provisions of Section 4.08(b) of the General Conditions and on the basis of indicators agreed with the Association. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than twenty one (21) days after the end of the period covered by such report.

(b) The Federation, through the Federation PIU, shall provide to the TSG whatever support may be required to:

(i) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about May 30, 2009, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, 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 June 30, 2009, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, 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 a financial management system and prepare financial statements in accordance with the provisions of Section 4.09 of the General Conditions, 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. Without limitation on the provisions of Part A of this Section, the Federation, through the Federation PIU, shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim un-audited financial reports for its Respective Part of the Project covering such quarter, in form and substance satisfactory to the Association.

3. The Federation, through the Federation PIU, shall have its financial statements referred to above periodically audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of the financial statements shall cover the period of one fiscal year of the Federation or such other period as agreed by the Association. 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 V. Procurement

All goods, works, services, operating costs and training 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 to the Financing Agreement.