

**CONFORMED COPY**

---

---

**CREDIT NUMBER 4047 BOS**

# **Federation Project Agreement**

**(Health Sector Enhancement Project)**

**between**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**and**

**FEDERATION OF BOSNIA AND HERZEGOVINA**

**Dated September 5 , 2005**

---

---

# **CREDIT NUMBER 4047 BOS**

## **PROJECT AGREEMENT**

AGREEMENT, dated September 5, 2005 between the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and the FEDERATION OF BOSNIA AND HERZEGOVINA (the Federation).

WHEREAS (A) by the Development Credit Agreement of even date herewith between Bosnia and Herzegovina (the Borrower) and the Association, the Association has agreed to lend to the Borrower an amount in various currencies equivalent to eleven million two hundred thousand Special Drawing Rights (SDR 11,200,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that the Federation agrees to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a subsidiary credit agreement to be entered into between the Borrower and the Federation (the Subsidiary Credit Agreement), the Borrower will make available to the Federation a portion of the proceeds of the Credit provided for under the Development Credit Agreement on terms and conditions set forth in said Subsidiary Credit Agreement; and

WHEREAS the Federation, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

### **ARTICLE I**

#### **Definitions**

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

### **ARTICLE II**

#### **Execution of Part A of the Project**

Section 2.01. (a) The Federation declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end,

shall carry out Part A of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, health, environmental, and technical practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and the Federation shall otherwise agree, the Federation shall carry out Part A of the Project in accordance with the Implementation Program set forth in Schedule 1 to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for Part A of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 2 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

Section 2.03. The Federation shall duly perform its obligations under the Subsidiary Credit Agreement. Except as the Association shall otherwise agree, the Federation shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Credit Agreement or any provision thereof.

Section 2.04. (a) The Federation shall, at the request of the Association, exchange views with the Association with regard to the progress of Part A of the Project, the performance of its obligations under this Agreement and under the Subsidiary Credit Agreement, and other matters relating to the purposes of the Credit.

(b) The Federation shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by the Federation of its obligations under this Agreement and under the Subsidiary Credit Agreement.

Section 2.05. (a) The Federation shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition) in respect of Part A of the Project.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Federation shall:

- (i) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this

purpose between the Association and the Federation a plan for the future operation of Part A of the Project; and

- (ii) afford the Association a reasonable opportunity to exchange views with the Federation on said plan.

### **ARTICLE III**

#### **Financial Covenants**

Section 3.01. (a) The Federation shall maintain a financial management system, including records and accounts, and prepare financial statements, in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to Part A of the Project.

- (b) The Federation shall:
  - (i) have its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year (or other period agreed to by the Association) audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;
  - (ii) furnish to the Association, as soon as available, but in any case not later than six (6) months after the end of each such year (or such other period agreed to by the Association): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or such other period agreed to by the Association), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
  - (iii) furnish to the Association such other information concerning such records and accounts and audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

Section 3.02. (a) Without limitation upon the Federation's reporting obligations set out in paragraph 5 of Schedule 1 to this Agreement, the Federation shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for Part A of the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Part A of Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under Part A of the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than forty-five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under Part A of the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than forty-five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.

#### **ARTICLE IV**

##### **Effective Date; Termination; Cancellation and Suspension**

Section 4.01. This Agreement shall come into force and effect on the later of:

- (i) the date upon which the Development Credit Agreement becomes effective; and
- (ii) the date when this Agreement has been executed by the parties hereto.

Section 4.02. (a) This Agreement and all obligations of the Association and of the Federation thereunder shall terminate on the earlier of the two following dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date twenty (20) years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify the Federation of this event.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

## ARTICLE V

### Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telex or facsimile to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other addresses as such party shall have designated by notice to the party giving such notice or making such request. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

For the Association:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

For the Federation:

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

Facsimile:  
387 33 203 152

Section 5.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of the Federation or by the Federation on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by its Minister of Finance, or by such other person or persons as the Federation shall designate in writing, and the Federation shall furnish to the

Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the City of Sarajevo, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Dirk Reinermann

Authorized Representative

FEDERATION OF BOSNIA AND HERZEGOVINA

By /s/ Niko Lozancic

Authorized Representative



## **SCHEDULE 1**

### **Implementation Program**

1. The Federation shall carry out Part A of the Project through the Federation FOU, which shall be responsible for the implementation of Part A of the Project, including procurement and financial management of Part A of the Project. The Federation agrees that: (i) the Ministry of Civil Affairs shall be responsible for the coordination of monitoring and evaluation of health sector performance under the Project and shall coordinate with representatives of the Federation MOH; and (ii) data collected and analyzed through technical assistance provided under the Project will be provided by the Federation to the Ministry of Civil Affairs for integration and analysis at the State level. The Federation MOH and the Federation FOU shall each fulfill their respective responsibilities in accordance with the Project Implementation Manual.
2. The Federation shall maintain the Federation FOU within the Federation MOH until the completion of the Project or such earlier date as may be agreed with the Association, with adequate staff, funds, facilities and other resources required for this purpose in a manner satisfactory to the Association.
3. The Federation shall adopt and thereafter maintain the Project Implementation Manual, and shall also maintain the Subsidiary Credit Agreement, in form and content satisfactory to the Association, and shall duly perform all its obligations under the Project Implementation Manual and the Subsidiary Credit Agreement and shall not take or concur in any action which would have the effect of amending, assigning, abrogating or waiving the Project Implementation Manual or the Subsidiary Credit Agreement without obtaining the prior approval of the Association.
4. The Federation shall maintain the Project Account in a commercial bank, on terms and conditions satisfactory to the Association, wherein the Federation shall deposit in a timely manner its share of the Project costs for the implementation of the Project, in accordance with the work program and budget for such year prepared by the Federation and satisfactory to the Association, and shall replenish such account on a quarterly basis in an amount of □20,000 equivalent, during the implementation of the Project.
5. The Federation shall:
  - (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators agreed upon between the Borrower and the Association, the carrying out of Part A of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about December 15, 2007, 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 Part A 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 Part A of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by March 15, 2008, or such later date as the Association shall request, the report referred to in subparagraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of Part A 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.

6. The Federation shall implement Part A.3 of the Project through the Federation MOH in accordance with the Project Implementation Manual and with the selection criteria, the procedures and upon the terms and conditions set forth in the Project Implementation Manual. Without limiting the generality of the foregoing, the Federation shall make available through the Federation MOH to eligible Beneficiaries as Innovation Grants the equivalent of the proceeds of the Credit allocated from time to time to Category A (5) of the table set forth in paragraph 1 of Schedule 1 to the Development Credit Agreement under contracts to be entered into between the Federation MOH and Beneficiaries under terms and conditions and in accordance with eligibility criteria and indicators which shall have been approved by the Association and specified in the Project Implementation Manual.

## **SCHEDULE 2**

### **Procurement**

#### Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

#### Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

##### A. International Competitive Bidding

1. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower. World Bank Standard Bidding Documents for Procurement of Works (Smaller Contracts) shall be used.

2. To the extent practicable, contracts for goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part A shall be grouped into bidding packages, in the case of goods estimated to cost \$100,000 equivalent or more each, and in the case of works estimated to cost \$500,000 equivalent or more each.

##### B. Other Procurement Procedures

1. National Competitive Bidding. Works estimated to cost less than \$500,000 equivalent per contract, but more than \$100,000, may be procured under contracts

awarded on the basis of National Competitive Bidding and the following additional provisions:

(a) Registration

- (i) Bidding shall not be restricted to pre-registered firms;
- (ii) Where registration is required, bidders (1) shall be allowed a reasonable time to complete the registration process, and (2) shall not be denied registration for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification; and
- (iii) Foreign bidders shall not be precluded from bidding. If a registration process is required, a foreign bidder declared the lowest evaluated bidder shall be given a reasonable opportunity to register.

(b) Advertising

Invitations to bid shall be advertised in at least one widely circulated national daily newspaper allowing a minimum of 30 days for the preparation and submission of bids.

(c) Pre-qualification

When pre-qualification shall be required for large or complex works, invitations to pre-qualify for bidding shall be advertised in at least one widely circulated national daily newspaper a minimum of 30 days prior to the deadline for the submission of pre-qualification applications. Minimum experience, and technical and financial requirements, shall be explicitly stated in the pre-qualification documents.

(d) Participation by Government-owned enterprises

Government-owned enterprises in Bosnia and Herzegovina, including those in the Federation and Republika Srpska, shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the contracting authority. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

(e) Bidding Documents

Procuring entities shall use the appropriate standard bidding documents for the procurement of goods, works or services, acceptable to the Association.

(f) Bid Opening and Bid Evaluation

- (i) Bids shall be opened in public, immediately after the deadline for submission of bids;
- (ii) Evaluation of bids shall be made in strict adherence to the monetarily quantifiable criteria declared in the bidding documents; and
- (iii) Contracts shall be awarded to the qualified bidder having submitted the lowest-evaluated, substantially responsive bid and no negotiation shall take place.

(g) Price Adjustment

Civil works contracts of long duration (more than 18 months) shall contain an appropriate price adjustment clause.

(h) Rejection of Bids

- (i) All bids shall not be rejected and new bids solicited without the Association's prior concurrence.
- (ii) When the number of bids received is less than three, re-bidding shall not be carried out without the Association's prior concurrence.

ECA Regional Sample Bidding Documents, modified as acceptable to the Bank, shall be used.

2. Shopping. Goods which cannot be grouped into bidding packages and estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping, based upon a model request for quotations satisfactory to the Association. In the case of direct invitation (not publicly advertised), the list of firms to be invited should be determined by a committee or commission.

Works estimated to cost less than \$100,000 equivalent per contract (Minor Works) may be procured on the basis of Shopping, under lump-sum, fixed-price contracts

awarded on the basis of quotations obtained from at least three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully. In the case of direct invitation (not publicly advertised), the list of firms to be invited should be determined by a committee or commission.

3. National Standard Bidding Documents. Once officially approved by the Borrower, use of National Standard Bidding Documents (SBD), satisfactory to the Association, may be considered for contracts for works to be procured under contracts awarded in accordance with the provisions of paragraphs 1 and 2 of this Part B.

4. Direct Contracting. Goods and works which the Association agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

5. Incremental Operating Costs. Incremental Operating Costs (as defined in paragraph 2(d) of Section 1 of Schedule 1 of the Development Credit Agreement) shall be procured using the Federation MOH's administrative procedures, subject to their having been reviewed and found acceptable by the Association. Other recurrent costs, not directly related to Incremental Operating Costs, shall also be procured using the Federation MOH's administrative procedures, subject to their having been reviewed and found acceptable by the Association.

### Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

B. Other Procedures.

1. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines. On a case by case basis and with the Association's approval, services estimated to cost more than \$100,000 equivalent per contract, but less than \$200,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of this paragraph 1.

2. Least-cost Selection. Services for assignments estimated to cost less than \$100,000 equivalent per contract which the Association agrees meet the requirements of

paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

4. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. In case of direct invitation (not publicly advertised), the list of individuals to be invited to submit CVs should be determined by a committee or commission. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis, subject to prior approval of the Association. Universities and research centers, as well as government officials and civil servants in the Borrower's country, may be hired as consultants only when they meet the eligibility criteria set forth in paragraph 1.11 of the Consultant Guidelines.

5. Innovation Grants. For procurement under Innovation Grants, the procurement procedures established under the Project Implementation Manual shall apply.

For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants.

#### Section IV. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Association: (a) each contract for works estimated to cost the equivalent of \$100,000 or more procured on the basis of International Competitive Bidding and all Direct Contracting; (b) the first contract procured on the basis of National Competitive Bidding, Minor Works, and Shopping of each year of Project implementation; and (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more and each contract procured on the basis of Single Source selection for consultants' services provided by a firm estimated to cost the equivalent of \$50,000 or more. All other contracts shall be subject to Post Review by the Association.