

CONFORMED COPY

CREDIT NUMBER 3269 BOS

Project Agreement

(Pilot Cultural Heritage Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

CITY OF MOSTAR

Dated as of July 5, 1999

CREDIT NUMBER 3269 BOS

PROJECT AGREEMENT

AGREEMENT, dated as of July 5, 1999 between the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and the CITY OF MOSTAR.

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 three million Special Drawing Rights (SDR 3,000,000) on the terms and conditions set forth in the Development Credit Agreement, but only on condition that the City of Mostar agree to undertake such obligations toward the Association as are set forth in this Agreement;

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

(C) the United Nations Educational, Scientific and Cultural Organization (UNESCO) established on October 1, 1998, an International Committee of Experts with a view to, inter alia, the reconstruction of the Old Bridge and renovation of the Old Towers in the City of Mostar;

(D) the Association, the City of Mostar and UNESCO intend to enter into a

Memorandum of Understanding setting forth certain understandings among the parties relating to the reconstruction of the Old Bridge and the renovation of the Old Towers in the City of Mostar; and

WHEREAS the City of Mostar, 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 the Project

Section 2.01. (a) The City of Mostar 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 the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, preservation and environmental 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 shall otherwise agree, the City of Mostar shall carry out 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 and consultants' services required for 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.

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

Section 2.04. (a) The City of Mostar shall, at the request of the Association, exchange views with the Association with regard to the progress 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 City of Mostar 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 City of Mostar of their obligations under this Agreement and under the Subsidiary Credit Agreement.

Section 2.05. (a) The City of Mostar 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 the Project.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the City of Mostar 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 City of Mostar, a plan for the future operation of the Project; and
- (ii) afford the Association reasonable opportunity to exchange views with the City of Mostar on said plan.

### ARTICLE III

#### Financial Covenants

Section 3.01. (a) The City of Mostar shall establish and maintain a financial management system, including records and accounts, and prepare financial statements, in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures and in connection with the carrying out of the Project.

(b) The City of Mostar shall:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association, who shall be appointed by December 31, 1999, on terms and conditions satisfactory 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: (A) certified copies of the financial statements referred to in paragraph (a) above for such year as so audited; and (B) the report of such audit by said auditors of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records and accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

Section 3.02. (a) Without limitation upon the provisions of Section 3.01 of this Agreement, the City of Mostar shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system referred to in paragraph (a) of said Section 3.01 in order to enable the City of Mostar, not later than December 31, 1999, or such later date as the Association shall agree, to prepare quarterly Project management reports, acceptable to the Association, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;
- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the City of Mostar, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter a Project Management Report for such period.

### ARTICLE IV

#### Effective Date; Termination Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of the Federation and the City of Mostar thereunder shall terminate on the earlier of the

following two dates:

- (i) the date on which the Development Credit Agreement shall terminate; or
- (ii) a date twenty (20) years after the date of this Agreement.

(b) If the Development Credit Agreement terminates before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify the Federation and the City of Mostar 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, telegram, cable, telex or radiogram 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. 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:

INTBAFRAD  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

For the City of Mostar:

City of Mostar Administration  
Adema Buce 20  
88000 Mostar  
Bosnia and Herzegovina

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 City of Mostar, may be taken or executed by the Mayor and Deputy Mayor, or by such other person or persons as they shall designate in writing, and they 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, Bosnia and Herzegovina, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Rory O'Sullivan

Authorized Representative

CITY OF MOSTAR

By /s/ Ivan Prskalo

Authorized Representative

By /s/ Safet Orucevic

Authorized Representative

SCHEDULE 1

Implementation Program

1. The City of Mostar shall: (a) maintain the PCU until completion of the Project with adequate staff, funds, facilities and other resources required for this purpose in a manner satisfactory to the Association; and (b) cause the PCU to be responsible for the overall implementation and coordination of the Project in accordance with terms of reference satisfactory to the Association.
2. The City of Mostar shall cause the PCU to: (a) maintain the Operations Manual in form and content satisfactory to the Association, (b) duly perform all its obligations under said Operations Manual and (c) not modify or waive any provision thereof without obtaining the prior approval of the Association.
3. The City of Mostar shall by November 30, 2000, furnish to the Association for its review and approval a plan for the operation and maintenance of the Old Bridge and Old Towers.
4. The City of Mostar shall not amend, abrogate or waive the agreement with the Stari Mostar Foundation, referred to in Section 6.01 (b) of the Development Credit Agreement, without the prior approval of the Association.
5. The City of Mostar shall, by January 31, 2001, furnish to the Association a detailed plan, satisfactory to the Association, for the establishment and terms of reference of the proposed International Stari Mostar Foundation.
6. The City of Mostar shall coordinate with the International Committee of Experts to ensure that Part A(1) of the Project is carried out in accordance with appropriate cultural and scientific standards.
7. The City of Mostar shall, by August 31, 1999, establish procedures necessary to ensure that the PCU coordinates with the Federation PMAU for purposes of procurement monitoring and audit of procurement activities for the Project.
8. The City of Mostar shall, by August 31, 1999, deposit as counterpart funds the equivalent of \$20,000 into a Project account opened for the purpose of Project implementation.
9. The City of Mostar shall, by October 31, 1999, adopt an environmental management plan satisfactory to the Association.
10. The City of Mostar shall:
  - (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Association, the carrying out 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, by September 1 of each year, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) above, on the progress achieved in carrying out 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 the Project and the achievement of the

objectives thereof during the period following such date; and

(c) review with the Association, by October 1 of each year, or such later date as the Association shall request, the report referred to in paragraph (b) above, and thereafter 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.

## SCHEDULE 2

### Procurement and Consultants' Services

#### Section I. Procurement of Goods and Works

##### Part A: General

Goods and works shall be procured in accordance with: (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 subject to the modifications thereto set forth in paragraph 2 of this Part A (the Guidelines); and (b) the following provisions of this Section:

##### Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provision shall apply to works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B, namely, that bidders for works shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

##### Part C: Other Procurement Procedures

###### 1. National Competitive Bidding

Works estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$250,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

###### 2. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

###### 3. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from 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.

##### Part D: Procurement of Services

###### Limited International Bidding

Geological services estimated to cost the equivalent of \$400,000 in the aggregate, which the Association agrees can only be purchased from a limited number of suppliers, regardless of the cost thereof, maybe procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

##### Part E: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for works and services, to be awarded on the basis of international competitive bidding, limited international bidding or national competitive bidding, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to the first five contracts for goods to be awarded on the basis of national shopping and each contract for works to be awarded on the basis of procurement procedures for small works, the following procedures shall apply:

(i) prior to the execution of any contract under shopping procedures, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received; and

(ii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms, the

procedures set forth in paragraphs 1, 2 and (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

