

CONFORMED COPY

INTERIM FUND CREDIT NUMBER N032-0 BOS

Republika Srpska Project Agreement

(Second Emergency Transport Reconstruction Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION as Administrator of the interim trust fund established with funds contributed by certain members of the International Development Association pursuant to Resolution No. IDA 184 of the Board of Governors of the International Development Association

and

REPUBLIKA SRPSKA

Dated September 12, 1997

INTERIM FUND CREDIT NUMBER N032-0 BOS

REPUBLIKA SRPSKA PROJECT AGREEMENT

AGREEMENT, dated September 12, 1997, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association), as administrator (the Administrator) of the interim trust fund (Interim Fund) established with funds contributed by certain members of the Association pursuant to Resolution No. IDA 184 (the Interim Fund Resolution) of the Board of Governors of the Association, adopted on June 26, 1996 and REPUBLIKA SRPSKA.

WHEREAS (A) by the Interim Fund Development Credit Agreement of even date herewith between BOSNIA AND HERZEGOVINA (the Borrower) and the Administrator, the Administrator has agreed to make available to the Borrower an amount in various currencies equivalent to twenty eight million two hundred ten thousand Special Drawing Rights (SDR 28,210,000) on the terms and conditions set forth in the Interim Fund Development Credit Agreement, but only on condition that Republika Srpska agrees to undertake such obligations toward the Administrator as are set forth in this Agreement;

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

WHEREAS Republika Srpska, in consideration of the Administrator's entering into the Interim Fund 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 Interim Fund 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

### Particular Covenants

Section 2.01. Republika Srpska declares its commitment to: (i) the execution of the Program; and (ii) the objectives of the Project as set forth in Schedule 2 to the Interim Fund Development Credit Agreement, and, to this end, shall carry out Parts A.2, B.2, C, D.2 and E.2 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and environmental practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for said Parts of the Project.

Section 2.02. (a) Except as the Administrator shall otherwise agree: (i) procurement of the goods, works and consultants' services required for Parts A.2, B.2, C and D.2 of the Project and to be financed out of the proceeds of the Interim Fund Credit shall be governed by the provisions of the Schedule to this Agreement; and (ii) procurement of the works required for Part E.2 of the Project and to be financed out of the proceeds of the Interim Fund Credit shall be governed by the provisions of Section I.B.1 of Schedule 3 to the Development Credit Agreement between Bosnia and Herzegovina and the Association, dated July 31, 1996 (Credit No. 2905 BOS), for the Emergency Landmines Clearance Project, subject to the eligibility restrictions set forth in Section III of the Schedule to this Agreement.

(b) Republika Srpska shall coordinate with the PMAU for purposes of procurement monitoring and audit activities for Parts A.2, B.2, C, D.2 and E.2 of the Project.

Section 2.03. Republika Srpska shall maintain a PID under terms of reference and with staffing and other resources acceptable to the Administrator. The PID shall be headed by a coordinator and shall have overall responsibility for the management and coordination of Parts A.2, B.2, C, D.2 and E.2 of the Project.

Section 2.04. (a) Republika Srpska 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, respectively) in respect of Parts A.2, B.2, C, D.2 and E.2 of the Project.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, Republika Srpska shall:

- (i) prepare, on the basis of guidelines acceptable to the Administrator and furnish to the Administrator not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Administrator and Republika Srpska, a plan for the future operation of Parts A.2, B.2, C and D.2 of the Project; and
- (ii) afford the Administrator a reasonable opportunity to exchange views with Republika Srpska on said plan.

Section 2.05. Republika Srpska shall duly perform all its obligations under the Subsidiary Credit Agreement. Except as the Administrator shall otherwise agree, Republika Srpska 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 2.06. (a) Republika Srpska shall, at the request of the Administrator, exchange views with the Administrator with regard to the progress of Parts A.2, B.2, C, D.2 and E.2 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 Interim Fund Credit.

(b) Republika Srpska shall promptly inform the Administrator of any condition which interferes or threatens to interfere with the progress of Parts A.2, B.2, C, D.2

and E.2 of the Project, the accomplishment of the purposes of the Interim Fund Credit, or the performance by Republika Srpska of its obligations under this Agreement and under the Subsidiary Credit Agreement.

Section 2.07. Republika Srpska 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 Administrator, the carrying out of Parts A.2, B.2, C, D.2 and E.2 of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Administrator, and furnish to the Administrator, by March 15 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 Parts A.2, B.2, C, D.2 and E.2 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 Parts A.2, B.2, C, D.2 and E.2 of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Administrator, by April 15 or such later date as the Administrator shall request, the report referred to in paragraph (b) above, and, thereafter, take all measures required to ensure the efficient completion of Parts A.2, B.2, C, D.2 and E.2 of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Administrator's views on the matter.

#### ARTICLE III

##### Financial Covenants

Section 3.01. (a) Republika Srpska shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Parts A.2, B.2, C, D.2 and E.2 of the Project of the departments or agencies of Republika Srpska responsible for carrying out any said Parts of the Project.

(b) Republika Srpska shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Administrator, who shall be employed by November 15, 1997, on terms and conditions satisfactory to the Administrator;
- (ii) furnish to the Administrator as soon as available, but in any case not later than six (6) months after the end of each such year, the report of such audit by said auditors of such scope and in such detail as the Administrator shall have reasonably requested; and
- (iii) furnish to the Administrator such other information concerning said records and accounts and the audit thereof, as the Administrator shall from time to time reasonably request.

#### ARTICLE IV

##### Effective Date; Termination Designation of Administrator

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

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

- (i) the date on which the Interim Fund 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 Interim Fund Development Credit Agreement terminates in accordance

with its terms before the date specified in paragraph (a) (ii) of this Section, the Administrator shall promptly notify Republika Srpska 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.

Section 4.04. In the event that the Executive Directors of the Association decide to terminate the functions of the Association as administrator of the Interim Fund pursuant to Section 7 of the Interim Fund Resolution, all of the rights and obligations of the Administrator under this Agreement shall be assumed by the Association in accordance with the Interim Fund Resolution and such decision of said Executive Directors, as of a date to be notified by the Administrator to the Borrower.

#### 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 address 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 and the Administrator:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

For Republika Srpska:

Ministry of Finance of Republika Srpska  
Trg Srpskih Junaka 4  
Banja Luka  
Bosnia and Herzegovina

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of Republika Srpska may be taken or executed by the Minister of Finance of Republika Srpska or such other person or persons as the Minister of Finance of Republika Srpska shall designate in writing, and Republika Srpska 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 Sarajevo, Bosnia and Herzegovina, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION  
as Administrator of the interim trust fund established with  
funds contributed by certain members of the  
International Development Association pursuant to  
Resolution No. IDA 184 of the Board of Governors of  
the International Development Association

By /s/ R. O'Sullivan

Authorized Representative

REPUBLIKA SRPSKA

By /s/ B. Plavsic

Authorized Representative

SCHEDULE

Procurement and Consultants' Services under the Project

Section I. Procurement of Goods and Works

Part A: General

Subject to the eligibility restrictions set forth in Section III of this Schedule, goods and works shall be procured in accordance with 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 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and 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. Section II of the Guidelines is modified to provide that: (i) the General Procurement Notice (GPN) shall also be published in the local press; (ii) individual advertisement for specific contracts shall also be published in the local press; (iii) the period allowed for submission of bids shall be four (4) weeks; and (iv) bid and payment currency shall be limited to one currency widely used in international trade.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost \$1,000,000 equivalent or more per contract, but less than \$2,000,000 per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines with the following modifications:

- (i) bidding documents will follow the formats of the national competitive bidding documents agreed with the Administrator;
- (ii) foreign bidders will be allowed to submit bids;
- (iii) bids will be submitted in sealed envelopes, and both mailed and handcarried bids will be accepted;
- (iv) all bids will be opened at the same time in public;
- (v) contracts will be awarded to the lowest evaluated bidder; and
- (vi) bidders will not be asked, nor allowed, to change the substance of their bids after the bid closing date, and price negotiations with the lowest evaluated bidder will be confined to those cases listed in the Guidelines.

2. International Shopping

Goods estimated to cost less than \$500,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines and using standard documentation agreed with the Administrator.

3. National Shopping

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 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.

#### 4. Procurement of Small Works

Works estimated to cost less than \$1,000,000 equivalent per contract may be procured under lump sum, fixed price contracts awarded on the basis of quotations obtained from three qualified 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 Administrator, 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: Review by the Administrator of Procurement Decisions

##### 1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for Parts A.2, B.2 and C of the Project shall be furnished to the Administrator 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 Administrator, and with the provisions of said paragraph 1.

##### 2. Prior Review

(a) With respect to: (i) each contract to be awarded in accordance with the provisions of Section I, Part B of this Schedule; and (ii) the first contract to be awarded in accordance with the provisions of Section I, Part C.1 of this Schedule, the procedures set forth in paragraphs 2 and 3 of Appendix I to the Guidelines shall apply.

(b) With respect to: (i) each contract to be awarded in accordance with the provisions of Section I, Part C.2 of this Schedule; and (ii) the first contract to be awarded in accordance with the provisions of Section I, Part C.4 of this Schedule, the following procedures shall apply:

- (i) prior to the selection of any supplier under international shopping procedures or any contractor under small works procedures, the Borrower shall provide to the Administrator a report on the comparison and evaluation of quotations received and, in the case of small works procedures, of the experience and resources to complete the contract successfully;
- (ii) prior to the execution of any contract procured under international shopping procedures, or under small works procedures, the Borrower shall provide to the Administrator a copy of the specifications and the draft contract and, in the case of small works procedures, a copy of the relevant drawings, where applicable; and
- (iii) 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 D, 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 (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

1. Least-cost Selection

Services for design and supervision under Part D.2 of the Project estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services for design and supervision under Part D.2 of the Project 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 and 3.7 of the Consultant Guidelines.

Part D: Review by the Administrator 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 Part D.2 of the Project shall be furnished to the Administrator 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 Administrator, and with the provisions of said paragraph.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms for design and supervision estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (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 estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Administrator 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 1 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

Section III. Eligibility Restrictions

1. Notwithstanding the provisions of paragraph 1.6 of the Guidelines, the proceeds of the Interim Fund Credit may only be withdrawn on account of expenditures for goods and works provided by nationals of, and produced in or supplied from, Participating Countries; consequently, nationals of countries that are not Participating Countries and bidders offering goods and works from such countries shall be disqualified from bidding for such contracts, and the bidding documents shall so specify.

2. Notwithstanding the provisions of paragraph 1.10 of the Consultant Guidelines, only firms that are registered or incorporated in, and individuals and personnel who are nationals of, Participating Countries shall be eligible to compete for services financed out of the proceeds of the Interim Fund Credit.



