

CONFORMED COPY

INTERIM FUND CREDIT NUMBER N035-0 BOS

Project Agreement

(Second Emergency Education 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 N035-0 BOS

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 (RS).

WHEREAS (A) by the 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 seven million seven hundred thousand Special Drawing Rights (SDR 7,700,000) on the terms and conditions set forth in the Interim Fund Development Credit Agreement, but only on condition that RS 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 RS, a portion of the proceeds of the interim fund credit provided for under the Interim Fund Development Credit Agreement will be made available to RS on the terms and conditions set forth in said Subsidiary Credit Agreement; and

WHEREAS RS, 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

### Execution of the Project

Section 2.01. (a) RS declares its commitment to 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 Part B of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and educational practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Part B of the Project.

Section 2.02. (a) Except as the Administrator shall otherwise agree, procurement of the goods, works and consultants' services required for Part B 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.

(b) RS shall coordinate with the PMAU for purposes of procurement monitoring and audit of Part B of the Project.

Section 2.03. RS shall maintain a PIU under terms of reference and with staffing and other resources acceptable to the Administrator. The PIU shall be headed by a coordinator and shall have overall responsibility for the management and coordination of Part B of the Project.

Section 2.04. RS shall: (a) not later than September 30, 1997, prepare and furnish to the Administrator, an education and administration study to develop recommendations on the appropriate educational functions to be carried out at each level of the government and the appropriate financing sources for those functions; (b) review and agree with the Administrator, by October 31, 1997, or such later date as the Administrator shall agree, the findings and recommendations of such study, and thereafter, take all measures required to ensure implementation of the said study.

Section 2.05. (a) RS 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 this Project Agreement.

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

Section 2.06. RS shall duly perform all its obligations under the Subsidiary Credit Agreement. Except as the Administrator shall otherwise agree, RS 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 2.07. (a) RS shall, at the request of the Administrator, exchange views with the Administrator 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 Interim Fund Credit.

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

Section 2.08. RS 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 Part B 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 February 28 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 Part B 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 B of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Administrator, by March 31, 1998, 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 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) RS shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) RS shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) 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 30, 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, (A) certified copies of its financial statements 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 Administrator shall have reasonably requested; and

(iii) furnish to the Administrator such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Administrator shall from time to time reasonably request.

### ARTICLE IV

#### Effective Date; Termination

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 RS 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 RS 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 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 RS:

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 RS may be taken or executed by the Minister of Finance of RS or such other person or persons as the Minister of Finance of RS shall designate in writing, and RS 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

### 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: Other Procurement Procedures

##### 1. National Competitive Bidding

Works estimated to cost \$200,000 equivalent or more per contract and goods estimated to cost \$100,000 or more 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) General prequalification will be carried out through advertising in the local press. The list of prequalified bidders will be updated from time to time as a result of new expressions of interest and information submitted by qualified contractors;
- (ii) prequalified bidders will be allowed a minimum of four (4) weeks to submit their bids;
- (iii) bidding documents will follow the formats of the National Competitive Bidding documents agreed with the Administrator;
- (iv) if interested, foreign bidders will be allowed to submit bids;
- (v) bids will be submitted in sealed envelopes, and both mailed and hand-carried bids will be accepted;
- (vi) all bids will be opened at the same time in public;
- (vii) contracts will be awarded to the lowest evaluated bidder; and
- (viii) 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. Procurement of Small Works

Works estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$1,800,000 equivalent, 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 successfully complete the contract.

##### 3. National Shopping

Goods estimated to cost \$100,000 equivalent or less per contract, up to an aggregate amount not to exceed \$200,000 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. Direct Contracting

Goods which are of a proprietary nature may, with the Administrator's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part C: Review by the Administrator 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 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

With respect to: (i) the prequalification criteria and documentation to be included in the invitation to prequalify under Section I, Part B.1 of this Schedule; (ii) the first three contracts awarded under each of Section I, Parts B.1, B.2 and B.3 of this Schedule; and (iii) each contract awarded under Section I, Part B.4 of this Schedule, the procedures set forth in paragraphs 2 and 3 of Appendix I to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

1. Consultants' services, including Commercial Services (as such term is defined in paragraph 2 (c) of Schedule 1 to this Agreement), shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Association, with such modifications as shall have been issued by the Association, other standard forms acceptable to the Association shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each, or (b) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Association review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Association; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

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 1.02 of the Consultant Guidelines, only consultants from Participating Countries shall be eligible to provide services financed out the proceeds of the Interim Fund Credit.

