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**CREDIT NUMBER 4331 BOS**

# **RS Project Agreement**

**(Avian Influenza Preparedness Project)**

**between**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**and**

**REPUBLIKA SRPSKA**

**Dated August 31, 2007**

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**CREDIT NUMBER 4331 BOS**

**PROJECT AGREEMENT**

Agreement dated August 31, 2007, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and REPUBLIKA SRPSKA (“RS”) (“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 Republika Srpska 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. Republika Srpska declares its commitment to the objectives of the Project. To this end, Republika Srpska:
  - (a) through its representatives on the TSG from the RS MOA and the RS MOH; and
  - (b) through the support to be provided to the TSG by the RS PCU for the purposes of Part 2 of the Project;

shall participate in the carrying out of Part 3 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 Republika Srpska shall otherwise agree, Republika Srpska:
  - (a) through its representatives on the TSG from the RS MOA and the RS MOH; and
  - (b) through the support to be provided to the TSG by the RS PCU for the purposes of Part 3 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. Republika Srpska's Representative is the Minister of Finance of Republika Srpska.

3.02. The Association's Address is:

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

Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

3.03. Republika Srpska's Address is:

Ministry of Finance of Republika Srpska  
Ul. Vuka Karadzica 4  
78000 Banja Luka  
Bosnia and Herzegovina

Facsimile:  
387 51 331351

AGREED at Sarajevo, Bosnia and Herzegovina, as of the day and year first above written.

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

By /s/ Marco Mantovanelli

Authorized Representative

**REPUBLIKA SRPSKA**

By /s/ Aleksandar Dzombic

Authorized Representative

## **SCHEDULE**

### **Execution of Republika Srpska's Respective Part of the Project**

#### **Section I. Institutional Arrangements**

Republika Srpska 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 3 of the Project shall be supported by the RS PCU. 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. Republika Srpska, through the RS MOA and the RS 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 RS FM Manual and the Poultry Culling Compensation Scheme Manual.

3. Republika Srpska, through the RS MOH, shall maintain the RS PCU at all times during Project implementation, with terms of reference and resources satisfactory to the Association, and with competent staff in adequate numbers.

4. Republika Srpska, through the RS PCU, shall cause procurement and financial management activities under Part 3 of the Project to be carried out by the RS PCU in accordance with the terms and conditions of the Financing Agreement, the General Conditions, the Project Operational Manual, the RS FM Manual and the Poultry Culling Compensation Scheme Manual.

#### **Section II. Implementation Covenants**

1. Republika Srpska, through the RS MOA, the RS MOH and the RS PCU, shall implement its Respective Part of the Project in accordance with the Environmental Management Plan, the Project Operational Manual, the RS FM Manual and the Poultry Culling Compensation Scheme Manual, respectively. Republika Srpska: (i) shall maintain the Environmental Management Plan, the Project Operational Manual, the RS

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 RS 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 RS 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, Republika Srpska 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 3.D of Schedule I to the Financing Agreement.

3. The RS, 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 RS MOF; and (ii) make quarterly contributions to the Project Account, in the amount equivalent to ten thousand Special Drawing Rights (SDR 10,000), 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 3 of the Project, Republika Srpska 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 Republika Srpska ("RS Subsidiary Agreement"), under terms and conditions approved by the Association, which shall include the following:

- (i) the Recipient shall relend to Republika Srpska an amount in various currencies equivalent to one million four hundred thousand Special Drawing Rights (SDR 1,400,000), being the amount allocated from time to time to Categories (3) and (4) 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 Republika Srpska 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 Republika Srpska 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. Republika Srpska shall exercise its rights under the RS 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, Republika Srpska shall not assign, amend, abrogate or waive the RS Subsidiary Agreement or any of its provisions.

#### **Section IV. Project Monitoring, Reporting, Evaluation**

##### **A. Project Reports**

1. (a) Republika Srpska, through the RS PCU, 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) Republika Srpska, through the RS PCU, 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 Republika Srpska'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, Republika Srpska 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. Republika Srpska 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 Republika Srpska, 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, Republika Srpska, through the RS PCU, 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. Republika Srpska, through the RS PCU, 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 Republika Srpska 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 Republika Srpska'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.