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CREDIT NUMBER 4704-BA

Federation Project Agreement

(Social Safety Nets and Employment Support Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

FEDERATION OF BOSNIA AND HERZEGOVINA

Dated June 25, 2010

PROJECT AGREEMENT

Agreement dated June 25, 2010, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and FEDERATION OF BOSNIA AND HERZEGOVINA (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) dated May 11, 2010 between BOSNIA AND HERZEGOVINA (“Recipient) and the Association. The Association and the Project Implementing Entity 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 this Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II - PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out Part 1 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 the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III - TERMINATION

- 3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE IV - REPRESENTATIVE; ADDRESSES

- 4.01. The Project Implementing Entity’s Representative is the Minister of Finance of the Federation of Bosnia and Herzegovina.

4.02. The Association's Address is:

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

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

4.03. The Project Implementing Entity's Address is:

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

Facsimile:

387 33 203 152

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

**INTERNATIONAL DEVELOPMENT
ASSOCIATION**

By /s/ Marco Mantovanelli
Authorized Representative

**FEDERATION OF BOSNIA AND
HERZEGOVINA**

By /s/ Borjana Kristo
Authorized Representative

SCHEDULE

Execution of the Project Implementing Entity's Respective Part of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements and Covenants

The Project Implementing Entity shall carry out the Project in accordance with the following institutional and other arrangements:

1. The Project shall be implemented under the overall responsibility of: (a) the Federation MLSP, through PIU SESER, in the Federation; and (b) jointly, the RS MLVA and RS MHSW in RS, which shall include Project management, implementation, monitoring, reporting, disbursement, procurement and financial management arrangements.
2. The Project Implementing Entity shall maintain its Project implementing unit at all times during Project implementation with terms of reference and resources satisfactory to the Association, and with competent staff in adequate numbers.
3. The Project Implementing Entity shall establish, jointly with Republika Srpska and not later than three (3) months after the Effective Date, a Project Coordination Board with a composition and terms of reference satisfactory to the Association. The Project Coordination Board shall coordinate Project activities between the Federation and RS, and commission and accept any joint deliverables which may arise during the implementation of the Project. The Project Coordination Board shall meet at least twice a year.
4. The Project Implementing Entity shall:
 - (a) duly perform all obligations under the Operational Manual in a timely manner and in accordance with their respective terms, and apply and implement, as the case may be, the actions, criteria, policies, procedures and arrangements therein set forth; and
 - (b) not amend or waive, or permit to be amended or waived the Operational Manual or any provision thereof, except with the prior written approval of the Association.
5. For purposes of Part 1.B (i) of the Project, the Project Implementing Entity, through the Federation MLSP, shall cause the centers of social work to register applicants and maintain their respective database of eligible poor, disabled and vulnerable.
6. For purposes of Parts 1.B (ii)(c) and 2.B (ii)(c), no work shall be carried out on a selected center for social work unless the Association shall have first approved the proposed site for said works and, where required, the related environmental management plan checklist. The Project Implementing Entity shall ensure that no land acquisition or resettlement shall be required under the Project.

7. The Project Implementing Entity shall cause its bureaus of statistics to conduct the household budget and other surveys to be carried out under Part 1.B (v) of the Project and used to update the PMT system under Part 1.A (i) of the Project and for monitoring and evaluation purposes of the Project.

B. Subsidiary Agreement

1. To facilitate the carrying out and financing of Part 1 of the Project, the Recipient shall make part of the proceeds of the Financing available to the Project Implementing Entity under a subsidiary agreement between the Recipient and the Project Implementing Entity (“Federation Subsidiary Agreement”), under the same terms and conditions as the Financing, approved by the Association and including the Anti-Corruption Guidelines.

2. The Project Implementing Entity shall exercise its rights under the Federation 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, the Project Implementing Entity shall not assign, amend, abrogate or waive the Subsidiary Agreements or any provision thereof.

C. Anti-Corruption

The Project Implementing Entity shall ensure that its Respective Part of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of its Respective Part of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Recipient not later than one (1) month after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report. In addition, the Project Implementing Entity shall undertake an annual operations and performance audit to assess Project implementation and processes and, as the case may be, identify the necessary corrective measures.

2. The Project Implementing Entity shall provide to the Recipient not later than three (3) months after the Closing Date, for incorporation in the report referred to in Section 4.08 (c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial

condition of the Project Implementing Entity, including the operations, resources and expenditures related to its Respective Part of the Project.

2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association not later than six (6) months after the end of the period.

Section III. Procurement

All goods, works and services required for the Project Implementing Entity'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 Section III of Schedule 2 to the Financing Agreement.