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CREDIT NUMBER 4167 BOS

RS Project Agreement

(Land Registration Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

REPUBLIKA SRPSKA

Dated August 21, 2006

PROJECT AGREEMENT

Agreement dated August 21, 2006, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and REPUBLIKA SRPSKA (“Republika Srpska” or “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 the 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, through the RS MOJ, shall carry out Part 2 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, through the RS MOJ, 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/ Dirk Reinermann

Authorized Representative

REPUBLIKA SRPSKA

By /s/ Dragan Cavic

Authorized Representative

SCHEDULE

Execution of the 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:

A. Project Implementation at the Entity Level

1. The RS MOJ shall be responsible for the overall implementation and management of the RS' Respective Part of the Project, including the environmental management, financial management and coordination among donors supporting the Project.

2. The RS LRU, established within the RS MOJ, shall be responsible for, *inter alia*:

(a) Providing guidance to land registries on substantive and business management issues of land title registration, including development and monitoring of standards of service;

(b) Day-to-day management of the Project implementation;

(c) Monitoring and evaluation;

(d) Procurement; and

(e) Financial management and audits under the Project.

3. The RS LRU shall comprise of at least one (1) full-time permanent civil servant leading the day-to-day management of the implementation of the RS' Respective Part of the Project. The RS LRU may also include additional civil servants seconded from the RS MOJ and the RS GA, respectively, as well as additional short-term staff hired for the duration of the Project.

B. The Advisory Board at the State level

1. The Advisory Board shall be responsible for, *inter alia*:

(a) Coordination between the Recipient, the Entities, and other parties involved in the implementation of the Project;

(b) Providing advice and guidance to the LRUs regarding Project implementation and achievement of Project objectives;

(c) Reviewing quarterly progress reports and other presentations of the LRUs and providing assessments of Project progress; and

(d) Conducting land administration policy dialogue with representatives and advisors of the Association.

2. The Advisory Board shall comprise of:

(a) The following representatives of the RS:

- (i) One representative of the RS MOJ;
- (ii) One representative of the RS MOF;
- (iii) One representative of the RS MUP; and
- (iv) One representative of the RS GA;

(b) The following representatives of the Federation:

- (i) One representative of the Federation MOJ;
- (ii) One representative of the Federation MOF;
- (iii) One representative of the Federation MUP; and
- (iv) One representative of the Federation GA;

(c) One representative of the MOFT;

(d) One representative of the MOJ; and

(e) One representative of the HJPC;

with such changes to such composition as may be agreed at any time with the prior written approval of the Association.

3. The Advisory Board shall convene at least quarterly.

Section II. Implementation Covenants

1. The RS shall, in cooperation with the Recipient and the Federation, jointly maintain at all times during the Project implementation, the Advisory Board referenced in

paragraph 1 of Part B of Section I of this Schedule, with the composition, terms of reference and resources satisfactory to the Association.

2. The RS, through the RS MOJ and, as may be needed, the RS GA, shall maintain at all times, during Project implementation, the RS LRU, with terms of reference and resources satisfactory to the Association, and with competent staff in adequate numbers.

3. The RS, through the RS MOJ, shall implement the EMP and the RS' respective FM Manual, 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 not amend or waive, or permit to be amended or waived the EMP or the RS' respective FM Manual or any provision of any one thereof, except with the prior written approval of the Association.

4. Where buildings or dwellings have been constructed or occupied otherwise than in accordance with applicable laws or regulations of the Recipient or of the RS, the RS shall only record the buildings or dwellings in the cadastre and shall not register any ownership rights over the relevant land, unless and until such buildings or dwellings have been regularized, in accordance with such applicable laws or regulations, in which case ownership rights over the buildings or dwellings, and the relevant land, shall be registered by the RS in the land registry upon application of the occupier and fulfillment of the conditions prescribed by such laws or regulations.

5. The RS shall not amend, suspend, abrogate, repeal or waive legislation affecting land administration so as to materially affect the performance of the Recipient or the RS under the Project.

6. The RS, through the RS MOJ, shall prepare and approve by September 30, 2007, service standards, a human resources development strategy and a business plan for continued operation of the registration service, satisfactory to the Association, and to implement them thereafter.

7. The RS, through the RS MOJ, shall cooperate with the Recipient in the timely preparation, under terms of reference satisfactory to the Association, and furnishing to the Association by June 30, 2009, of a draft policy and strategy document for completion of the long term goals in land administration in Bosnia and Herzegovina, and shall exchange views with the Association on such draft policy at the latter's request.

Section III. Subsidiary Agreement

1. To facilitate the carrying out of Part 2 of the Project, the 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 the Republika Srpska ("RS Subsidiary Agreement"), under terms and conditions approved by the Association, which shall include the following:

- (i) the Recipient shall relend to the RS an amount in Euro equivalent to the amount of the Credit allocated from time to time to Category B.2 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 20 years, including a 10-year grace period;
- (iii) the Recipient shall charge the RS 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 the RS 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.

3. The Republika Srpska shall exercise its rights under the 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 Republika Srpska shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

Section IV. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. (a) The RS, through the RS MOJ, shall monitor and evaluate the progress of its Respective Part of the Project and 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 (1) calendar quarter, and shall be furnished to the Association and to the Advisory Board not later than 21 days after the end of the period covered by such report.

- (b) The RS, through the RS MOJ, shall:
- (i) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about March 31, 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 the RS' 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, 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. The RS 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 RS, 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, the RS, through the RS MOJ, shall prepare and furnish to the Association not later than one (1) month 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. The RS, through the RS MOJ, 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 (1) fiscal year of the RS 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 and operating costs 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.