Project Agreement

(Additional Financing for the Energy Efficiency Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

FEDERATION OF BOSNIA AND HERZEGOVINA
PROJECT AGREEMENT

AGREEMENT between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and the FEDERATION OF BOSNIA AND HERZEGOVINA ("Project Implementing Entity") ("Project Agreement") in connection with the Loan Agreement ("Loan Agreement") of the Signature Date between BOSNIA AND HERZEGOVINA ("Borrower") and the Bank, concerning Loan No. 8906-BA. The Bank 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 Loan Agreement) apply to and form 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 Loan 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 A of the Project in accordance with the provisions of Article V of the General Conditions and the Schedule to this Agreement, and shall provide, promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. The Project Implementing Entity’s Representative is its Minister of Finance.

3.02. For purposes of Section 10.01 of the General Conditions: (a) the Bank’s address is:

   International Bank for Reconstruction and Development
   1818 H Street, N.W.
   Washington, D.C. 20433
   United States of America; and

   (b) the Bank’s Electronic Address is:

   Telex: 248423(MCI) or 64145(MCI)
   Facsimile: 1-202-477-6391
   E-mail: lvangelder@worldbank.org

3.03. For purposes of Section 10.01 of the General Conditions: (a) the Project Implementing Entity’s address is:
Federal Ministry of Finance
Mehmeda Spahe 5
71000 Sarajevo
Bosnia and Herzegovina; and

(b) the Project Implementing Entity’s Electronic Address is:

Facsimile:       E-mail:
387 33 203 152    fmf.kab@bih.net.ba
AGREED as of the later of the two dates written below.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: ENRIQUE SALINAS MUNOZ
Title: COUNTRY MANAGER
Date: MARCH 04, 2020

FEDERATION OF BOSNIA AND HERZEGOVINA

By

Authorized Representative

Name: MARINKO ČAVARA
Title: PRESIDENT
Date: MARCH 04, 2020
SCHEDULE

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

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Project Implementing Entity, through the Federation MPP, shall maintain the Federation PIU at all times during the implementation of its Respective Part of the Project, with sufficient resources, competent staff in adequate numbers and responsibilities, and operated based on adequate procedures, all acceptable to the Bank and as set forth in the OM.

2. For purposes of carrying out its Respective Part of the Project, the Project Implementing Entity, through the Federation MPP, shall, not later than December 15 of each year during implementation of its Respective Part of the Project, prepare and submit to the Bank an Annual Work Plan (AWP) for the following year, and thereafter regularly update it as needed, including, *inter alia*, the proposed investment plan, its related expenditures and the sources of financing needed to implement the Project activities under the AWP, all acceptable to the Bank.

3. For purposes of carrying out Part A.II of the Project, the Project Implementing Entity, through the Federation MPP, shall, not later than December 31, 2022, define an energy efficiency investment and implementation framework that would allow to sustain and scale-up energy efficiency improvements, with contents acceptable to the Bank.

B. Subsidiary Agreement

1. To facilitate the carrying out of its Respective Part of Project, the Project Implementing Entity shall receive the proceeds of the Loan, allocated from time to time to Category (1), from the Borrower under a subsidiary agreement (Subsidiary Agreement) between the Borrower and the Project Implementing Entity under terms and conditions acceptable to the Bank.

2. The Project Implementing Entity shall exercise its rights and carry out its obligations under the Subsidiary Agreement in such manner as to protect the interests of the Project Implementing Entity, the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Operations Manual

1. The Project Implementing Entity, through the Federation MPP, shall carry out its Respective Part of the Project in accordance with the provisions of a manual (“Operations Manual”) acceptable to the Bank and containing, *inter alia*: (a) the activities and implementation plan to be carried out under its Respective Part of the Project; (b) the respective roles and responsibilities of the institutions involved in the implementation of
its Respective Part of the Project; (c) the composition and responsibilities of the Federation PSC and the Federation PIU; (d) a protocol regulating PIU-ministry responsibilities, reporting and communication arrangements and due processes; (e) the fiduciary, technical, environmental and social safeguards, and operational aspects and procedures for implementation of its Respective Part of the Project, including the financial management procedures (including budgeting, accounting and internal control, disbursement and flow of funds, financial reporting, annual reports, internal and external audit arrangements, contract termination and contract extension procedures); (f) the criteria and procedures for the selection of Sub-projects; (g) the rules of operation for the reinvestment of repayments from Participating Municipalities or Cantons for energy efficiency Sub-projects financed by the Credit or the Loan in energy efficiency investments in public facilities; (h) the performance indicators of the Project; (i) a governance and accountability action plan; and (j) the EMF, the EMPs and the Anti-Corruption Guidelines.

2. The Project Implementing Entity, through the Federation MPP, shall not amend or waive or fail to enforce any provision of the Operations Manual without the Bank's prior written approval.

3. In case of any conflict between the terms of the Operations Manual and those of this Agreement, the terms of this Agreement shall prevail.

D. Sub-projects

1. The Project Implementing Entity, through the Federation MPP, shall maintain the Federation PSC with a composition, roles, responsibilities and resources satisfactory to the Bank. The Federation PSC shall review and approve the Sub-project proposals in accordance with the eligibility, selection criteria and procedures satisfactory to the Bank.

2. Prior to carrying out each Sub-project, the Project Implementing Entity shall: (a) through the Federation MPP, enter into an agreement or other adequate arrangement (the Agreement of Understanding) with the Participating Municipality or Canton and with the Sub-project beneficiary, under terms and conditions satisfactory to the Bank including the technical implementation arrangements and roles of Sub-project beneficiaries in the carrying out of the Sub-project; and (b) enter into an agreement (the Sub-Contract) with the Participating Municipality or Canton under terms and conditions satisfactory to the Bank including (i) the financial obligations of the Participating Municipality or Canton; and (ii) the Participating Municipality or Canton's obligation to comply with the relevant sections of this Agreement.

3. The Project Implementing Entity, through the Federation MPP, shall exercise its rights and carry out its obligations under the Agreement of Understanding and Sub-Contract in such manner as to protect the interests of the Project Implementing Entity, the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive the Agreement of Understanding, the Sub-Contract or any of their provisions.
E. Safeguards

1. The Project Implementing Entity, through the Federation MPP, shall:

   (a) carry out its Respective Part of the Project in accordance with the Environmental Management Framework (the “EMF”);

   (b) prior to carrying out any activities or Sub-projects, prepare site-specific Environmental Management Plan(s) (“EMPs”) in accordance with the EMF, in form and substance satisfactory to the Bank, and to implement said activities or Sub-projects in accordance with the respective EMPs;

   (c) ensure that no Project activities and no Sub-projects under Part A.I.1 of the Project involve Resettlement; and

   (d) ensure that the terms of reference of any consultancy in respect to its Respective Part of the Project shall be satisfactory to the Bank following its review thereof and, to that end, such terms of reference shall duly incorporate the requirements of the Bank’s Safeguard Policies then in force, as applied to the advice conveyed through such consulting services.

Section II. Project Monitoring, Reporting and Evaluation

1. The Project Implementing Entity, through the Federation MPP, 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 5.08 (b) of the General Conditions and on the basis of indicators acceptable to the Bank. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank with a copy to the Borrower not later than forty-five (45) days after the end of the period covered by such report.

2. The Project Implementing Entity, through the Federation MPP, shall provide to the Bank with a copy to the Borrower not later than six (6) months after the Closing Date the report and plan referred to in Section 5.08 (c) of the General Conditions.

Section III. Other Undertakings

1. The Original Federation Project Agreement is hereby updated as set forth in the Annex to this Schedule.
ANNEX TO THE SCHEDULE

Update to the Original Federation Project Agreement

I. The Original Federation Project Agreement is hereby updated as follows:

1. Section I.A. of the Schedule to the Original Federation Project Agreement is hereby updated to read as set forth in Section I.A. of the Schedule to this Agreement.

2. Section I.C. of the Schedule to the Original Federation Project Agreement is hereby updated to read as set forth in Section I.C. of the Schedule to this Agreement.

3. Section I.D. of the Schedule to the Original Federation Project Agreement is hereby updated to read as set forth in Section I.D. of the Schedule to this Agreement.

4. Section I.E. of the Schedule to the Original Federation Project Agreement is hereby updated to read as set forth in Section I.E. of the Schedule to this Agreement.

5. Section I.F. is added to the Schedule to the original Federation Project Agreement to read as follows:

   "F. Anti-Corruption

   The Federation shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines."

6. Section II of the Schedule to the Original Federation Project Agreement is hereby updated to read as set forth in Section II of the Schedule to this Agreement.