

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4704-BA

Financing Agreement

(Social Safety Nets and Employment Support Project)

between

BOSNIA AND HERZEGOVINA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 11, 2010

Public Disclosure Authorized



CREDIT NUMBER 4704-BA

FINANCING AGREEMENT

AGREEMENT dated May 11, 2010, entered into between BOSNIA AND HERZEGOVINA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this 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 General Conditions or in the Appendix to this Agreement.

ARTICLE II - FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to nine million six hundred thousand Special Drawing Rights (SDR 9,600,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are March 15 and September 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

- 2.07. The Payment Currency is Euro.

ARTICLE III - PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause Part 1 of the Project to be carried out by the Federation and Part 2 of the Project to be carried out by RS in accordance with the provisions of Article IV of the General Conditions, the Federation Project Agreement and the RS Project Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV - REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
- (a) Either Entity shall have failed to perform any of its obligations under its respective Subsidiary Agreement.
 - (b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that either Entity shall be able to perform its obligations under its respective Subsidiary Agreement.
 - (c) the Federation Subsidiary Agreement or the RS Subsidiary Agreement shall have been amended without prior approval of the Association.
- 4.02. The Additional Events of Acceleration consist of the following, namely that any event specified in paragraphs (a) and (c) of Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V - EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) a Project Agreement has been executed on behalf of the Association and an Entity on terms and conditions satisfactory to the Association;

- (b) for the Entity referred to in paragraph (a) of this Section 5.01, a Subsidiary Agreement has been executed on behalf of the Recipient and the Entity concerned, on terms and conditions satisfactory to the Association;
- (c) the PIUs have each established accounting and reporting mechanisms satisfactory to the Association; and
- (d) the Entities have adopted the Operational Manual in form and substance satisfactory to the Association.

5.02. The Additional Legal Matters consist of the following:

- (a) the Project Agreement referred to in paragraph (a) of Section 5.01 of this Agreement has been duly authorized or ratified by the Entity concerned and is legally binding upon said Entity in accordance with its terms; and
- (b) the Subsidiary Agreement referred to in paragraph (b) of Section 5.01 of this Agreement has been duly authorized or ratified by the Recipient and the Entity concerned and is legally binding upon the Recipient and the Entity in accordance with its terms.

5.03. The Effectiveness Deadline is the date one hundred fifty (150) days after the date of this Agreement.

5.04. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI - REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is the Minister of Finance and Treasury of Bosnia and Herzegovina.

6.02. The Recipient's Address is:

Ministry of Finance and Treasury
Trg BiH 1
71000 Sarajevo
Bosnia and Herzegovina

Facsimile:

(387-33) 202-930

6.03. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

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

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

BOSNIA AND HERZEGOVINA

By /s/ Dragan Vrankic

Authorized Representative

**INTERNATIONAL DEVELOPMENT
ASSOCIATION**

By /s/ Marco Mantovanelli

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to: (i) support non-insurance cash transfers in reaching the eligible poor and disabled; (ii) improve the efficiency and transparency of the benefits administration; and (iii) support job brokerage services for those active job seekers who become ineligible to receive cash transfers or who are vulnerable (such as poor, disabled but able to work, hard-to-serve or demobilized soldiers).

The Project consists of the following parts:

Part 1. The Federation

A. Enhancing Social Safety Net Design and Eligibility Processes

Provision of technical assistance, training and goods to strengthen the transparency and efficiency of non-insurance cash transfers with a view to reaching eligible poor, disabled and vulnerable, through the introduction of improved and harmonized targeting mechanisms and the development, piloting and introduction of improved eligibility processes for non-insurance cash transfers for civilian and war veteran benefits, including the design and implementation of a survey instrument for a living standards scorecard to determine household and individual eligibility based on the proxy means targeting (PMT) system, covering needs-based targeting, disability certification and removal of the requirement for registering as unemployed to receive said benefits.

B. Strengthening Social Benefits Administration and Oversight

Provision of technical assistance, training and goods and carrying out of minor civil works to improve the transparency and efficiency of the Federation's social benefits administration, through the development and strengthening of said administration's management capacity and social benefits monitoring systems and including:

- (i) the development and implementation of functional registries and related management information systems for managing applications, eligibility screening, approvals and rejections and payment processes across multiple benefit schemes, linking local centers and offices for social work, municipalities and central governments within each Entity and including automated internal and external cross-checking capabilities;
- (ii) capacity building for Entity, cantonal and local level institutions in the areas of: (a) reformed eligibility determination processes; (b) improved

social benefits administration and registry management; and (c) improved service delivery, including carrying out of minor civil works for the refurbishment of interior offices of selected existing centers of social work and enhancing their accessibility for disabled persons;

- (iii) strengthening capacity for disability verification and certification institutions in the areas of: (a) reformed disability verification and certification processes in line with disability classification procedures of the World Health Organization and European Union standards; (b) improved caseload administration and registry management; and (c) improved service delivery;
- (iv) reinforcing oversight and control (O&C) of non-insurance cash transfers, including the development and implementation of O&C mechanisms such as operational audits, quality controls (random/sample spot checks), case investigation and follow-up systems, hotlines and grievance mechanisms; and
- (v) enhancing the monitoring and evaluation capacity of social benefits administration, including the carrying out of cost efficiency studies and client and household surveys and the development and tracking of performance indicators.

C. Job Brokerage and Employment Support

Supporting job brokerage services for those active job seekers who are vulnerable (such as poor, disabled but able to work, hard-to-serve, demobilized soldiers) or become ineligible to receive cash transfers, through the provision of technical assistance, goods and training, including: (i) the provision of job brokerage services to about 6,000 vulnerable unemployed persons (active job seekers in the categories of disabled, hard-to-employ, demobilized soldiers and other vulnerable groups) and/or active job seekers who become ineligible to receive cash transfers; (ii) the improvement of capacity, efficiency and targeting of job brokerage services by public employment agencies; and (iii) the promotion of public-private partnerships and private job brokerage agencies to improve and expand effective job brokerage services to the unemployed.

D. Communication Strategy

Supporting the public information and communication strategy of the Federation with a view to increased citizens' understanding of improved social benefits targeting process and other safety net reforms, through the provision of technical assistance and the carrying out of public awareness campaigns.

E. Project Management and Implementation

Support to the Federation MLSP and PIU SESER for the management and implementation of the Project, through the financing of Operating Costs and the carrying out of audits under the Project.

Part 2. Republika Srpska

A. Enhancing Social Safety Net Design and Eligibility Processes

Provision of technical assistance, training and goods to strengthen the transparency and efficiency of non-insurance cash transfers with a view to reaching eligible poor, disabled and vulnerable, through the introduction of improved targeting mechanisms and the development and piloting of improved eligibility processes for non-insurance cash transfers for civilian and war veteran benefits, including the design and implementation of a survey instrument for a living standards scorecard to determine household and individual eligibility based on the proxy means targeting (PMT) system, covering needs-based targeting, disability certification and removal of the requirement for registering as unemployed to receive said benefits.

B. Strengthening Social Benefits Administration and Oversight

Provision of technical assistance, training and goods and carrying out of minor civil works to improve the transparency and efficiency of RS' social benefits administration, through the development and strengthening of said administration's management capacity and social benefits monitoring systems and including:

- (i) the development and implementation of functional registries and related management information systems for managing applications, eligibility screening, approvals and rejections and payment processes across multiple benefit schemes, linking local centers and offices for social work, services for veterans' affairs, municipalities and central governments within each Entity and including automated internal and external cross-checking capabilities;
- (ii) capacity building for Entity and local level institutions in the areas of: (a) reformed eligibility determination processes; (b) improved social benefits administration and registry management; and (c) improved service delivery, including carrying out of minor civil works for the

refurbishment of interior offices of selected existing centers of social work and enhancing their accessibility for disabled persons;

- (iii) strengthening capacity for disability verification and certification institutions in the areas of: (a) reformed disability verification and certification processes in line with disability classification procedures of the World Health Organization and European Union standards; (b) improved caseload administration and registry management; and (c) improved service delivery;
- (iv) reinforcing oversight and control (O&C) of non-insurance cash transfers, including the development and implementation of O&C mechanisms such as operational audits, quality controls (random/sample spot checks), case investigation and follow-up systems, hotlines and grievance mechanisms; and
- (v) enhancing the monitoring and evaluation capacity of social benefits administration, including the carrying out of cost efficiency studies and client and household surveys and the development and tracking of performance indicators.

C. Job Brokerage and Employment Support

Supporting job brokerage services for those active job seekers who are vulnerable (such as poor, disabled but able to work, hard-to-serve, demobilized soldiers) or become ineligible to receive cash transfers, through the provision of technical assistance, goods and training, including: (i) the provision of job brokerage services to about 4,000 vulnerable unemployed persons (active job seekers in the categories of disabled, hard-to-employ, demobilized soldiers and other vulnerable groups) and/or active job seekers who become ineligible to receive cash transfers; (ii) the improvement of capacity, efficiency and targeting of job brokerage services by public employment agencies; and (iii) the promotion of public-private partnerships and private job brokerage agencies to improve and expand effective job brokerage services to the unemployed.

D. Communication Strategy

Supporting the public information and communication strategy of RS with a view to increased citizens' understanding of improved social benefits targeting process and other safety net reforms, through the provision of technical assistance and the carrying out of public awareness campaigns.

E. Project Management and Implementation

Support to RS MLVA and RS MHSW for the management and implementation of the Project, through the financing of Operating Costs and the carrying out of audits under the Project.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements and Covenants

The Recipient shall, and shall cause the Entities to 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 Recipient shall cause the Entities to each maintain their respective Project implementing units 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 Recipient shall cause the Entities to establish, 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 Recipient shall, and shall cause the Entities to:
 - (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 Parts 1.B (i) and 2.B (i) of the Project, the Recipient, through the Federation MLSP and the RS MHSW, shall cause their respective 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 of 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 Recipient shall, and shall cause the Entities to ensure that no land acquisition or resettlement shall be required under the Project.
7. The Recipient, through the Entities, shall cause the respective bureaus of statistics to conduct the respective household budget and other surveys to be carried out under, respectively, Parts 1.B (v) and 2. B (v) and used to update the PMT system under, respectively, Parts 1.A and 2.A of the Project and for monitoring and evaluation purposes under the Project.

B. Subsidiary Agreements

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 Federation under a subsidiary agreement between the Recipient and the Federation (“Federation Subsidiary Agreement”), under the same terms and conditions as the Financing, approved by the Association and including the Anti-Corruption Guidelines.
2. To facilitate the carrying out and financing of Part 2 of the Project, the Recipient shall make part of the proceeds of the Financing available to Republika Srpska under a subsidiary agreement between the Recipient and Republika Srpska (“RS Subsidiary Agreement”), under the same terms and conditions as the Financing, approved by the Association and including the Anti-Corruption Guidelines.
3. The Recipient shall exercise its rights under the Subsidiary Agreements 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 Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreements or any provision thereof.

C. Anti-Corruption

The Recipient shall, and shall cause the Entities to, ensure that 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 Recipient, through the Entities, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 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

semester, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report. In addition, the Recipient, through the Entities, 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. For purposes of Section 4.08 I of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain, and shall cause the Entities to maintain a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient, through the Entities, shall prepare and furnish to the Association, not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. 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 III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of

particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

4. **Advance Contracting and Retroactive Financing.** Advance Contracting and Retroactive Financing shall be carried out in accordance with the Procurement Guidelines or Consultant Guidelines, as the case may be, up to an amount of US\$850,000 equivalent for each Entity.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Methods
(a) National Competitive Bidding subject to the modifications set forth in paragraph 3 below.
(b) Shopping
(c) Direct Contracting

3. Procedures for National Competitive Bidding shall be carried out by using standard bidding documents acceptable to the Association, all subject to the following provisions:

<p>(1) Registration</p> <ol style="list-style-type: none"> (a) bidding shall not be restricted to pre-registered firms; (b) where registration is required, bidders: (i) shall be allowed a reasonable time to complete the registration process; and (ii) shall not be denied registration for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification; and (c) foreign bidders shall not be precluded from bidding. If a registration process is required, a foreign bidder declared the lowest evaluated bidder shall be given a reasonable opportunity to register.
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(2) Advertising

Invitations to bid shall be advertised in at least one widely circulated national daily newspaper allowing a minimum of thirty (30) days for the preparation and submission of bids.

(3) Pre-qualification

When pre-qualification shall be required for large or complex works, invitations to pre-qualify for bidding shall be advertised in at least one widely circulated national daily newspaper a minimum of thirty (30) days prior to the deadline for the submission of pre-qualification applications. Minimum experience and technical and financial requirements shall be explicitly stated in the pre-qualification documents.

(4) Participation by Government-owned enterprises

Government-owned enterprises in Bosnia and Herzegovina, including those in the Federation and Republika Srpska, shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the contracting authority. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

(5) Bidding Documents

Procuring entities shall use the appropriate standard bidding documents for the procurement of goods, works or services, acceptable to the Association.

(6) Bid Opening and Bid Evaluation

- (a) bids shall be opened in public, immediately after the deadline for submission of bids;
- (b) evaluation of bids shall be made in strict adherence to the monetarily quantifiable criteria declared in the bidding documents; and
- (c) contracts shall be awarded to the qualified bidder having submitted the lowest-evaluated, substantially responsive bid and no negotiation shall take place.

(7) Price Adjustment

Civil works contracts of long duration (more than 18 months) shall contain an appropriate price adjustment clause.

(8) Rejection of Bids

All bids shall not be rejected and new bids solicited without the Association's prior concurrence.

(9) Securities

- (a) bid security and performance security should follow the generally accepted practice used in the local market;
- (b) alternative methods such as bid securing declaration may be acceptable, in which case the Recipient may require bidders to sign a declaration accepting that if they withdraw or modify their bids during the period of validity or they are awarded the contract and they fail to sign the contract or to submit a performance security before the deadline defined in the bidding documents, the bidder will be suspended for bidding in any contract with the implementing unit; and
- (c) no advance payment shall be made to contractors without a suitable advance payment security. These securities shall be included in the bidding documents in a text and format acceptable to the Association.

(10) Right to inspect and audit

Each contract financed out of the proceeds of the Financing shall provide that the suppliers, contractors and subcontractors shall permit the Association, at its request, to inspect their accounts and records relating to the procurement and performance of the contract and to have said accounts and records audited by auditors appointed by the Association. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.

(11) Fraud & Corruption

The Association shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, a contract financed by the World Bank Group.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Methods
(a) Selection under a Fixed Budget
(b) Least Cost Selection
(c) Selection based on Consultants’ Qualifications
(d) Procedures set forth in paragraphs 3.9 and 3.10 of the Consultant Guidelines for the Single-source selection of consultant firm
(e) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(f) Sole Source Procedures for the Selection of Individual Consultants

D. Procurement of Operating Costs

Incremental expenditures included in the Operating Costs category can be procured in accordance with the established Recipient’s administrative procedures acceptable to the Association.

E. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
(1) Goods, works, consultants’ services and Operating Costs for Part 1 of the Project	5,760,000	100%
(2) Goods, works, consultants’ services and Operating Costs for Part 2 of the Project	3,840,000	100%
TOTAL AMOUNT	9,600,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
- (a) for payments made prior to the date of this Agreement, except that withdrawals, up to an aggregate amount not to exceed SDR 600,000 equivalent for each Entity, may be made for payments made prior to this date but on or after January 1, 2010, for Eligible Expenditures under, respectively, Categories (1) and (2); or
 - (b) for expenditures under Category (1) in the table in Part A.2, Section IV of Schedule 2 to this Agreement, unless:
 - (i) the Federation Project Agreement has been executed on terms and conditions satisfactory to the Association;
 - (ii) the Federation Subsidiary Agreement has been executed on terms and conditions satisfactory to the Association; and
 - (iii) an opinion has been furnished to the Association stating that the Federation Project Agreement and the Federation Subsidiary Agreement have been duly authorized or ratified, as the case may be, by the

Recipient and the Federation, and are legally binding upon them in accordance with their respective terms; or

- (c) for expenditures under Category (2) in the table in Part A.2, Section IV of Schedule 2 to this Agreement, unless:
 - (i) the RS Project Agreement has been executed on terms and conditions satisfactory to the Association;
 - (ii) the RS Subsidiary Agreement has been executed on terms and conditions satisfactory to the Association; and
 - (iii) an opinion has been furnished to the Association stating that the RS Project Agreement and the RS Subsidiary Agreement have been duly authorized or ratified, as the case may be, by the Recipient and RS, and are legally binding upon them in accordance with their respective terms.
2. The Closing Date is October 31, 2014.

SCHEDULE 3**Repayment Schedule**

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each March 15 and September 15, commencing March 15, 2020 to and including September 15, 2029	5%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX**Section I. Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
4. “Entity” means either the Federation or RS, as the case may be, and “Entities” means the Federation and RS, collectively.
5. “Federation” means the Federation of Bosnia and Herzegovina, a constitutive part of the Recipient, and includes any successor or successors thereto.
6. “Federation MLSP” means the Ministry of Labor and Social Policy of the Federation, and includes any successor or successors thereto.
7. “Federation Project Agreement” means the Project Agreement between the Association and the Federation, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Federation Project Agreement.
8. “Federation Subsidiary Agreement” means the subsidiary agreement between the Recipient and the Federation, pursuant to which the Recipient makes a part of the proceeds of the Financing available to the Federation for the carrying out of Part 1 of the Project, as the same may be amended from time to time with the prior approval of the Association, and such term includes all schedules and agreements supplemental to the Federation Subsidiary Agreement.
9. “FM Manual” means the Financial Management Manual prepared by the Entities for the Project, as an integral part of the Operational Manual and satisfactory to the Association, setting out the financial management and internal control policies and procedures for financial management, budgeting, accounting, auditing and reporting of the Project.
10. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended

through October 15, 2006), with the modification set forth in Section II of this Appendix.

11. “Operating Costs” means the reasonable and necessary incremental expenditures on account of Project implementation, management, coordination, and monitoring and evaluation, as approved by the Association on the basis of budgets acceptable to the Association, and including, *inter alia*, the costs of: (i) maintenance and operation of equipment and vehicles procured or used for the management of the Project; (ii) training, capacity building and salaries paid to staff hired for the purposes of the Project, other than civil servants’ salaries; (iii) travel costs and per diems; (iv) consumable office supplies; (v) communication, printing and publications; (vi) costs of translation and interpretation; (vii) acquisition of financial management software; and (viii) bank charges.
12. “Operational Manual” means the manual adopted by the Entities pursuant to Section 5.01 (d) of this Agreement, setting forth the operational and administrative responsibilities, procedures and rules for the implementation of the Project, including, *inter alia*: (a) the FM Manual; (b) the Project implementation plan; and (c) the grievance redress mechanism for eligible poor, disabled and vulnerable social benefits beneficiaries.
13. “PIU SESER” means the project implementation unit for social-economic support, training and redeployment projects established by the decree of the Government of the Federation (V-617/03 dated November 27, 2003) as a part of the organizational structure of the Federation MLSP.
14. “PMT” means the proxy means targeting system.
15. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
16. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated January 20, 2010 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
17. “Project Agreement” means either the Federation Project Agreement or the RS Project Agreement, as the case may be, and Project Agreements means said Project Agreements collectively.
18. “Project Coordination Board” means the Project coordination board to be established by the Entities pursuant to paragraph A.3, Section I of Schedule 2 to this Agreement.

19. “Republika Srpska” or “RS” means Republika Srpska, a constitutive part of the Recipient, and includes any successor or successors thereto.
20. “RS MHSW” means the Ministry of Health and Social Welfare of RS, and includes any successor or successors thereto.
21. “RS MLVA” means the Ministry of Labor and Veterans Affairs of RS, and includes any successor or successors thereto.
22. “RS Project Agreement” means the Project Agreement between the Association and RS, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the RS Project Agreement.
23. “RS Subsidiary Agreement” means the subsidiary agreement between the Recipient and RS, pursuant to which the Recipient makes a part of the proceeds of the Financing available to RS for the carrying out of Part 2 of the Project, as the same may be amended from time to time with the prior approval of the Association, and such term includes all schedules and agreements supplemental to the RS Subsidiary Agreement.
24. “Subsidiary Agreements” means the Federation Subsidiary Agreement and the RS Subsidiary Agreement, collectively.

Section II. Modification to the General Conditions

The modification to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) is as follows:

Paragraph (i) of Section 6.02 is modified to read as follows:

“Section 6.02. *Suspension by the Association*

... (1) *Ineligibility.* The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank.”

