

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4325-BOS

Financing Agreement

(Agriculture and Rural Development Project)

between

BOSNIA AND HERZEGOVINA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 31, 2007

CREDIT NUMBER 4325-BOS

FINANCING AGREEMENT

AGREEMENT dated August 31, 2007, 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 thirteen million eight hundred thousand Special Drawing Rights (SDR 13,800,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 June 15 and December 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 objective of the Project. To this end, the Recipient shall:
- (a) carry out Part 1 of the Project through the MOFTER;
 - (b) cause Part 2 of the Project to be carried out by the Federation through the Federation MOA; and
 - (c) cause Part 3 of the Project to be carried out by the RS through the RS MOA;
- in each case in accordance with the provisions of Article IV of the General Conditions.
- 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 Project Agreement or Subsidiary Agreement; and
 - (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 Project Agreement or Subsidiary Agreement.
- 4.02. The Additional Event of Acceleration consists of the following: the event specified in paragraph (a) 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.
- 4.03. The Co-financing Deadline for the effectiveness of the Co-financing Agreement is December 31, 2007.

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; and

- (c) the BH PCU, the Federation PCU and the RS PCU have been established in a manner and with the composition and terms of reference 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 to this Agreement has been duly authorized or ratified by the Entity concerned and is legally binding on said Entity in accordance with its terms; and
- (b) the Subsidiary Agreement referred to in paragraph (b) of Section 5.01 to 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 ninety (90) days 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:

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 objective of the Project is to assist the Recipient to strengthen the capacity of its State-level and Entity-level institutions to deliver more efficient and effective agricultural services and support programs in order to make a substantial contribution to an acceleration of the Recipient's eligibility to access support provided under the European Union Instrument for Pre-Accession Assistance for Rural Development.

The Project consists of the following parts:

Part 1: Bosnia and Herzegovina

A. Agricultural Information and Institutional Capacity Building

Support State-level agencies serving the Entities to fulfill their respective mandates as planning and policy-making institutions, through: (i) improving agriculture and rural sector information systems, including through the provision of information technology hardware and software, and the establishment of a secure wide area network for agriculture information system and rural development payment information transfer; and (ii) strengthening state veterinary, food safety and phytosanitary services, including through capacity-building, database development, critical risk analysis, epidemiology studies and the development of targeted laboratory services.

B. Enhanced Agriculture and Rural Development Support Program

Address constraints and build a harmonized, efficient, transparent, and EU-compliant rural development support program and payment systems, through strengthening rural development program planning, coordination and monitoring within the Sector for Agriculture, Food, Forestry and Rural Development in the MOFTER.

C. Project Coordination, Administration and Monitoring

Build capacity within the MOFTER to coordinate, monitor and evaluate the Project, including the design and implementation of a public communication program.

Part 2: The Federation

A. Agricultural Information and Institutional Capacity Building

Support Entity-level MOAs to fulfill their respective mandates as planning and policy-making institutions, through: (i) improving agriculture and rural sector information systems including through the provision of information technology hardware and software, and the establishment of an agriculture information system based on standardized and EU harmonized methods; (ii) strengthening inspectorate capacity including through the training of inspectors, and the upgrading of existing buildings and resources; and (iii) strengthening agricultural extension services, through: (a) the development of pluralistic, participatory, results-oriented Entity-level extension programs; (b) the development of an Agricultural Extension Strategy and the

management of extension delivery; and (c) provision of incremental funding for Local Service Providers.

B. Enhanced Agriculture and Rural Development Support Program

Address constraints and build a harmonized, efficient, transparent, and EU-compliant rural development support program and payment systems, through: (i) strengthening the systems for providing rural development payments, including the development and implementation of a Payments System and preparation of a Rural Development Grants Operational Manual; and (ii) Provision of Rural Development Grants.

C. Project Coordination, Administration and Monitoring

Build capacity within the Federation MOA to coordinate, administrate, monitor and evaluate the Project, including the design and implementation of a public communication program.

Part 3. Republika Srpska

A. Agricultural Information and Institutional Capacity Building

Support Entity-level MOAs to fulfill their respective mandates as planning and policy-making institutions, through: (i) improving agriculture and rural sector information systems including through the provision of information technology hardware and software, and the establishment of an agriculture information system based on standardized and EU harmonized methods; (ii) strengthening inspectorate capacity, including through the training of inspectors, and the upgrading of existing buildings and resources; and (iii) strengthening agricultural extension services, through: (a) the development of pluralistic, participatory, results-oriented Entity-level extension programs; (b) the development of an Agricultural Extension Strategy and the management of extension delivery, and (c) provision of incremental funding for Local Service Providers.

B. Enhanced Agriculture and Rural Development Support Program

Address constraints and build a harmonized, efficient, transparent, and EU-compliant rural development support program and payment systems, through: (i) strengthening the systems for providing rural development payments, including the development and implementation of a Payments System and preparation of a Rural Development Grants Operational Manual; and (ii) provision of Rural Development Grants.

C. Project Coordination, Administration and Monitoring

Build capacity within the RS MOA to coordinate, administrate, monitor and evaluate the Project, including the design and implementation of a public communication program.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**

The Recipient shall, and shall cause the Entities to, carry out the Project in accordance with the following institutional and other arrangements:

1. The PSC, with the technical guidance of the JTWG, shall be responsible for providing overall strategic guidance, institutional coordination, review of Project progress, and assistance in the resolution of obstacles to Project implementation.
2. The MOFTER, through the BH PCU, shall have responsibility for implementation of Part 1 of the Project, with the support of the VO, the APPH and the FSA, as the case may be, for Part 1 A (ii) of the Project; and shall have responsibility for the overall coordination, reporting and monitoring and evaluation of Parts 1, 2 and 3 of the Project.
3. The Federation MOA, through the Federation PCU, shall have responsibility for implementation, procurement and financial management activities of Part 2 of the Project, with the support of:
 - (i) the Federation Inspection Directorate for Part 2 A (ii) of the Project; and
 - (ii) the Federation Agency for Agricultural Extension Services for Part 2 A (iii) of the Project.
4. The RS MOA, through the RS PCU, shall have responsibility for implementation, procurement and financial management activities of Part 3 of the Project, with the support of:
 - (i) the RS Inspection Directorate for Part 3 A (ii) of the Project; and
 - (ii) the RS Agency for Agricultural Extension Services for Part 3 A (iii) of the Project.
5. The Federation PCU and the RS PCU shall have responsibility for procurement and financial management activities of Part 1 of the Project according to the arrangements and procedures set out in the Procurement Plan and the Operational Manual.

B. Implementation Covenants

1. The Recipient shall, and shall cause the Entities to, maintain the PSC, and the JTWG, and the Recipient shall maintain the BH PCU at all times during Project implementation, with terms of reference and resources satisfactory to the Association, and with competent staff in adequate numbers.
2. The Recipient shall cause the Entities to maintain the Federation PCU and the RS PCU, as the case may be, at all times during Project implementation, with terms of reference and resources satisfactory to the Association, and with competent staff in adequate numbers.
3. No later than March 31, 2008, the Recipient shall, and shall cause the Entities to, adopt a staffing plan for the restructuring of the MOFTER, the Federation MOA, and the RS MOA, as the case may be, on terms and conditions satisfactory to the Association.
4. No later than September 30, 2008, the Recipient shall cause the Federation to establish the Federation Agency for Agricultural Extension Services, in a manner and with the composition and terms of reference satisfactory to the Association
5. The Recipient, through the MOFTER and the BH PCU, shall:
 - (i) duly perform all its obligations under the Operational Manual and the EMF in a timely manner and in accordance with its respective terms, and apply and implement, as the case may be, the actions, criteria, policies, procedures and arrangements therein set forth; and
 - (ii) not amend or waive, or permit to be amended or waived the Operational Manual or the EMF or any provisions of any one thereof, except with the prior written approval of the Association.
6. The Recipient shall cause the Entities, through the Federation MOA and the Federation PCU, and through the RS MOA, and the RS PCU, as the case may be:
 - (i) to take all measures necessary to perform their respective obligations under the Operational Manual, the FM Manuals, the Rural Development Grants Operational Manual and the EMF 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
 - (ii) not to amend or waive, or permit to be amended or waived the Operational Manual, the FM Manuals, Rural Development Grants Operational Manual or the EMF or any provisions of any one thereof, except with the prior written approval of the Association.

C. Subsidiary Agreement

1. To ensure the financing of Part 1 of the Project and to facilitate the carrying out and financing of Part 2 of the Project, the Recipient shall make part of the proceeds of the Credit available to the Federation under a subsidiary agreement between the Recipient

and the Federation (“Federation Subsidiary Agreement”), under terms and conditions approved by the Association, which shall include the following:

- (i) the Recipient shall relend to the Federation, an amount in Euro equivalent to one million three hundred sixty thousand Special Drawing Rights (SDR 1,360,000) of the amount of the Credit allocated to Category 1 (a), 2 (a) and 3 (a) set forth in the table in Part A.2 of Section IV of Schedule 2 to this Agreement;
- (ii) the Recipient shall relend to the Federation an amount in Euro equivalent to five million seven hundred and ninety one Special Drawing Rights (SDR 5,791,000) of the amount of the Credit allocated from time to time to Categories 4, 5, 6, 7, and 8 set forth in the table in Part A.2 of Section IV of Schedule 2 to this Agreement;
- (iii) the term of the Subsidiary Financing shall be twenty (20) years, including a ten (10)-year grace period;
- (iv) the Recipient shall charge the Federation a commitment charge at a rate equal to the rate payable under Section 2.03 of this Agreement, on the principal amount of the Subsidiary Financing not withdrawn from time to time;
- (v) the Recipient shall charge the Federation 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 this Agreement; and
- (vi) the principal amount of the Subsidiary Financing shall be repayable in Euro and shall be the equivalent in Special Drawing Rights (determined as of the date or respective dates of repayment) of the value of the currency or currencies withdrawn from the Financing Account on account of expenditures for the Project.

2. To ensure the financing of Part 1 of the Project and to facilitate the carrying out and financing of Part 3 of the Project, the Recipient shall make part of the proceeds of the Credit available to Republika Srpska under a subsidiary agreement between the Recipient and Republika Srpska (“RS Subsidiary Agreement”), under terms and conditions approved by the Association, which shall include the following:

- (i) the Recipient shall relend to RS an amount in Euro equivalent to one million two hundred fifty four thousand Special Drawing Rights (SDR 1,254,000) of the amount of the Credit allocated to Category 1 (b), 2 (b) and 3 (b) set forth in the table in Part A.2 of Section IV of Schedule 2 to this Agreement;
- (ii) the Recipient shall relend to RS an amount in Euro equivalent to five million three hundred ninety five thousand Special Drawing Rights (SDR 5,395,000) of the amount of the Credit allocated from time to time

to Categories 9, 10, 11, 12 and 13 set forth in the table in Part A.2 of Section IV of Schedule 2 to this Agreement;

- (iii) the term of the Subsidiary Financing shall be twenty (20) years, including a ten (10)-year grace period;
- (iii) the Recipient shall charge RS a commitment charge at a rate equal to the rate payable under Section 2.03 of this Agreement, on the principal amount of the Subsidiary Financing not withdrawn from time to time;
- (iv) the Recipient shall charge RS 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 this Agreement; and
- (v) the principal amount of the Subsidiary Financing shall be repayable in Euro and shall be the equivalent in Special Drawing Rights (determined as of the date or respective dates of repayment) of the value of the currency or currencies withdrawn from the Financing Account on account of expenditures for the Project.

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 of its provisions.

D. 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.

E. Sub-projects

1. For the purposes of Parts 2.B (ii) and 3.B (ii) of the Project, the Recipient shall cause the Entities to make Rural Development Grants to Beneficiaries in accordance with eligibility criteria and procedures set forth in the Rural Development Grants Operational Manual, and acceptable to the Association, which shall include the following: sub-project proposals for Rural Development Grants shall be guided by the Agriculture and Rural Development Strategy and shall be selected, appraised, implemented and evaluated in accordance with the principles and procedures set forth in the Operational Manual, the Procurement Guidelines, the Anti-Corruption Guidelines and the EMF.

2. The Recipient shall cause the Entities to make each Rural Development Grant under a Rural Development Grant Agreement with the respective Beneficiary on terms and conditions approved by the Association, which shall include the following:

- (a) Rural Development Grant Agreements shall be denominated in KM; and
- (b) the Recipient shall, and shall cause the Entities, to obtain rights adequate to protect its interests and those of the Association, including the right to:

- (i) suspend or terminate the right of the Beneficiary to use the proceeds of the Rural Development Grant, or obtain a refund of all or any part of the amount of the Rural Development Grant, upon the Beneficiary's failure to perform any of its obligations under the Rural Development Grant Agreement; and
- (ii) require each Beneficiary to: (A) carry out its obligations under the Rural Development Grant Agreement with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient, and the EMF; (B) provide, promptly as needed, the resources required for the purpose; (C) procure the goods, works and services to be financed out of the Rural Development Grant Agreement in accordance with the provisions of this Agreement, and the Procurement Guidelines; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Sub-project and the achievement of its objectives; (E) (1) 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, resources and expenditures related to the Sub-project; and (2) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; (F) enable the Recipient and the Association to inspect the Sub-project, its operation and any relevant records and documents; and (G) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

3. The Recipient shall cause the Entities to exercise their rights under each Rural Development Grant 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 Recipient shall cause the Entities not to assign, amend, abrogate or waive any Rural Development Grant Agreement or any of its provisions.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient, through the BH PCU, and with the cooperation of the Federation PCU and the RS PCU, as necessary, 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 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.

2. The Recipient shall, through the BH PCU, and with the cooperation of the Federation PCU and the RS PCU, as necessary:

- (i) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about February 15, 2010, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 1 of this Section, on the progress achieved in carrying out Parts 1, 2 and 3 of the Project during the period preceding the date of said report and setting out the measures recommended to ensure that the MOFTER, the Federation MOA and the RS MOA, as the case may be, carry out their respective Part of the Project efficiently and achieve the objectives thereof during the period following such date; and
- (ii) review with the Association, by March 15, 2010, or such later date as the Association shall request, the report referred to in paragraph 2 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 Recipient shall maintain, and shall cause the Entities, through the Federation PCU and the RS PCU, respectively, to maintain a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. The Recipient shall cause the Entities, through the Federation PCU and the RS PCU, respectively, to 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 such quarter, in form and substance satisfactory to the Association.
3. The Recipient shall cause the Entities, through the Federation PCU and the RS PCU, respectively, to have their Project 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, Works and Services.** All goods, works and services (other than 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 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.

B. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

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 Method	
(a)	<p>National Competitive Bidding, subject to the following additional provisions:</p> <p>(1) Registration</p> <p>(i) bidding shall not be restricted to pre-registered firms;</p> <p>(ii) where registration is required, bidders: (1) shall be allowed a reasonable time to complete the registration process; and (2) 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</p> <p>(iii) 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.</p> <p>(2) Advertising</p> <p>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.</p> <p>(3) Pre-qualification</p> <p>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.</p> <p>(4) Participation by Government-owned enterprises</p> <p>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.</p> <p>(5) Bidding Documents</p>

Procurement Method	
<p>Procuring entities shall use the appropriate standard bidding documents for the procurement of goods, works or services, acceptable to the Association.</p>	
(6)	<p>Bid Opening and Bid Evaluation</p> <p>(i) bids shall be opened in public, immediately after the deadline for submission of bids;</p> <p>(ii) evaluation of bids shall be made in strict adherence to the monetarily quantifiable criteria declared in the bidding documents; and</p> <p>(iii) contracts shall be awarded to the qualified bidder having submitted the lowest-evaluated, substantially responsive bid and no negotiation shall take place.</p>
(7)	<p>Price Adjustment</p> <p>Civil works contracts of long duration (more than 18 months) shall contain an appropriate price adjustment clause.</p>
(8)	<p>Rejection of Bids</p> <p>(i) all bids shall not be rejected and new bids solicited without the Association’s prior concurrence; and</p> <p>(ii) when the number of bids received is less than three, re-bidding shall not be carried out without the Association’s prior concurrence.</p> <p>ECA Regional Sample Bidding Documents, modified as acceptable to the Association, shall be used.</p>
(b)	Shopping
(c)	Direct Contracting
(d)	Community Participation procedures
(e)	Established Private or Commercial Practices which have been found acceptable to the Association

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 Method	
(a)	Least Cost Selection
(b)	Selection under a Fixed Budget
(c)	Selection Based on Consultant’s Qualifications
(d)	Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(e)	Sole Source Procedures for the Selection of Individual Consultants

D. 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 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 (inclusive of taxes)
<p><u>A. Part 1 of the Project</u></p> <p>1. (a) Goods, Works, Consultants’ Services, and Training for Part 1 of the Project in accordance with Section C.1 (i) of Schedule 2</p> <p>(b) Goods, Works, Consultants’ Services, and Training for Part 1 of the Project in accordance with Section C.2 (i) of Schedule 2</p> <p>2. (a) Operating Costs for Parts 1A and 1B of the Project in accordance with Section C.1 (i) of Schedule 2</p> <p>(b) Operating Costs for Parts 1.A and 1B of the Project in accordance with Section C.2 (i) of Schedule 2</p> <p>3. (a) Operating Costs for Part 1C of the Project in accordance with Section C.1 (i) of Schedule 2</p> <p>(b) Operating Costs for Part 1C of the Project in accordance with Section C.2 (i) of Schedule 2</p>	<p>1,215,000</p> <p>1,120,000</p> <p>95,000</p> <p>88,000</p> <p>50,000</p> <p>46,000</p>	<p>85%</p> <p>85%</p> <p>85% up to and including June 30, 2009; 0% thereafter</p> <p>85% up to and including June 30, 2009; 0% thereafter</p> <p>85%</p> <p>85%</p>
<p><u>B. Part 2 of the Project</u></p> <p>4. Goods, Works, Consultants’ Services and Training for Parts 2.A (i), 2.A (ii), 2.A (iii) (a), (b) and 2.B (i) of the Project</p>	<p>2,894,000</p>	<p>85%</p>

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of taxes)
5. Operating Costs for Parts 2.A and 2.B of the Project	547,000	85% up to and including June 30, 2009; 0% thereafter
6. Operating Costs for Part 2.C of the Project	210,000	85%
7. Consultants' services for Part 2.A (iii) (c) of the Project	430,000	50%
8. Rural Development Grants under Part 2.B (ii) of the Project	1,710,000	100% of amounts disbursed
<u>C. Part 3 of the Project</u>		
9. Goods, Works, Consultants' Services and Training for Parts 3.A (i), 3.A (ii), 3.A (iii) (a), (b) and 3.B (i) of the Project	2,542,000	85%
10. Operating Costs for Parts 3.A and 3.B of the Project	503,000	85% up to and including June 30, 2009; 0% thereafter
11. Operating Costs for Part 3C of the Project	210,000	85%
12. Consultants' services for Part 3.A (iii) (c) of the Project	430,000	50%
13. Rural Development Grants under Part 3.B (ii) of the Project	1,710,000	100% of amounts disbursed
TOTAL AMOUNT	<u>13,800,000</u>	

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 five hundred twenty eight thousand Special Drawing Rights (SDR 528,000) may be made for payments made prior to this date but on or after May 11, 2007, for Eligible Expenditures under Categories 1 (a), 1 (b), 2 (a), 2 (b), 3 (a), 3 (b), 4, 5, 6, 9, 10, 11; or

(b) under Category 1 (a), 1 (b), 2 (a), 2 (b), 3 (a) and 3 (b) of the Project unless:

(i) a Project Agreement between the Association and an Entity responsible for receiving financing for Part 1 of the Project, as the case may be, has been executed, on terms and conditions satisfactory to the Association; and

(ii) for the Entity referred to in paragraph (b) (i) of this Section IV.B, a Subsidiary Financing Agreement has been executed on behalf of the Recipient and the Entity concerned, on terms and conditions satisfactory to the Association; and

(iii) an opinion has been furnished to the Association stating that such Project Agreement and Subsidiary Agreement have been duly authorized or ratified by the parties thereto and are legally binding upon them in accordance with their respective terms; or

(c) under Categories allocated to Part 2 or Part 3 of the Project unless:

(i) a Project Agreement between the Association and the Entity responsible for implementing Part 2 or Part 3 of the Project, as the case may be, has been executed, on terms and conditions satisfactory to the Association; and

(ii) a Subsidiary Agreement between the Recipient and such Entity has been executed, on terms and conditions satisfactory to the Association; and

(iii) an opinion has been furnished to the Association stating that such Project Agreement and Subsidiary Agreement have been duly authorized or ratified by the parties thereto and are legally binding upon them in accordance with their respective terms; or

(d) for expenditures under Category 7 in the table in Part A.2 of Section IV of Schedule 2 to this Agreement unless the Federation MOA has adopted an Agricultural Extension Strategy, on terms and conditions satisfactory to the Association; or

(e) for expenditures under Category 12 in the table in Part A.2 of Section IV of Schedule 2 to this Agreement unless the RS MOA has adopted an Agricultural Extension Strategy, on terms and conditions satisfactory to the Association; or

(f) for expenditures under Category 8 in the table in Part A.2 of Section IV of Schedule 2 to this Agreement unless the Federation MOA has established a Payments

System, and adopted a Rural Development Grants Operational Manual, both on terms and conditions satisfactory to the Association; or

(g) for expenditures under Category 13 in the table in Part A.2 of Section IV of Schedule 2 to this Agreement unless the RS MOA has established a Payments System, and adopted a Rural Development Grants Operational Manual, both on terms and conditions satisfactory to the Association.

2. The Closing Date is June 30, 2012.

SCHEDULE 3**Repayment Schedule**

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each June 15 and December 15, commencing December 15, 2017 to and including June 15, 2027	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

Definitions

1. “Agriculture and Rural Development Strategy” means the Federation Agriculture and Rural Development Strategy, or the RS Agriculture and Rural Development Strategy, as the case may be, prepared by the Federation for Part 2.B of the Project, and by the RS for Part 3.B of the Project, respectively, and guided by the Agriculture and Rural Development Plan, under which provision of Rural Development Grants will be provided; and the “Agriculture and Rural Development Strategies” means the Federation Agriculture and Rural Development Strategy, and the RS Agriculture and Rural Development Strategy, collectively.
2. “Agriculture and Rural Development Plan” means the national rural development framework guiding rural development measures.
3. “Agricultural Extension Strategy” means, as the case may be, the extension strategy regulating contracts for extension services, to be prepared by the Federation MOA for Part 2.A (iii) (b) of the Project, and by the RS MOA for Part 3.A (iii) (b) of the Project, in each case approved by the Association; and “Agricultural Extension Strategies” means the Federation Agricultural Extension Strategy and the RS Agricultural Extension Strategy, collectively.
4. “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.
5. “APPH” means the Administration of Bosnia and Herzegovina for the Protection of Plant Health established by a decision of the Council of Ministers, 93/04, dated March 2004, and reporting to the Council of Ministers through the Ministry of Foreign Trade and Economic Relations of the Recipient, and includes any successor or successors thereto.
6. “Beneficiary” means a recipient of a Rural Development Grant under Part 2.B (ii) and Part 3.B (ii) of the Project, and includes farmers, agro-businesses and cooperatives registered in each Entity farm register or client register, all selected in accordance with criteria and procedures set forth in the Rural Development Grants Operational Manual, and “Beneficiaries” means more than one such Beneficiary.
7. “BH PCU” means the Project Coordination Unit established within the Sector for Agriculture, Food, Forestry and Rural Development of the MOFTER, and which shall comprise the following staff, whose qualifications and terms of reference shall be satisfactory to the Association: (i) a Project Manager, who will be a permanent civil servant; and (ii) a Monitoring and Evaluation Expert; all under the leadership of a Project Coordinator (at the level of Assistant Minister).
8. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

9. “Co-financier” means the Swedish International Development Cooperation Association (SIDA), referred to in paragraph 10 of the Appendix to the General Conditions.
10. “Co-financing” means an amount equivalent to four million five hundred thousand Euros (€4,500,000), under the Co-financing Agreement, to assist in financing the Project.
11. “Co-financing Agreement” means the grant agreement to be entered into between the Recipient and the Association, as an administrator of the funds provided by the Co-financier for the Co-financing.
12. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Recipients” published by the Bank in May 2004 and revised in October 2006.
13. “EMF” means the Environmental Management Framework adopted by the Recipient on May 7, 2007, and satisfactory to the Association, describing the rules, guidelines and procedures to assess environmental impacts and defining measures to reduce, mitigate or offset adverse environmental impacts and enhance positive impacts of activities supported under the Project as well as of investments to be made under Part 2.B (ii) and Part 3.B (ii) of the Project, and the same as may be amended from time to time with the prior approval of the Bank;
14. “Entity” means the Federation of Bosnia and Herzegovina or Republika Srpska (as these expressions are hereafter defined), as the case may be, and “Entities” refers to the Federation and Republika Srpska collectively.
15. “European Union Instrument for Pre-Accession Assistance for Rural Development” means the financial instrument of the European Community for pre-accession assistance within the framework of the European partnerships of the potential candidate countries and the accession partnerships of the candidate countries.
16. “Federation” means the Federation of Bosnia and Herzegovina, a political subdivision of the Recipient, and includes any successor or successors thereto.
17. “Federation Inspection Directorate” means the Federal Administration for Inspection Affairs, established in 2006 by the Law on Inspections in the Federation of Bosnia and Herzegovina, and reporting directly to the Federation Government, and includes any successor or successors thereto.
18. “Federation Agency for Agricultural Extension Services” means the agency or institute for Agricultural Extension Services, under the jurisdiction of the Federation MOA, to be established pursuant to Part B.4 of Section I of Schedule 2 to this Agreement, and includes any successor or successors thereto.
19. “Federation MOA” means the Ministry of Agriculture, Water Management and Forestry of the Federation, and includes any successor or successors thereto.

20. “Federation MOF” means the Ministry of Finance of the Federation, and includes any successor or successors thereto.
21. “Federation PCU” means the Project Coordination Unit established within the Federation MOA, referred to in the Schedule to the Federation Project Agreement (as defined hereafter), and which shall comprise the following staff, whose qualifications and terms of reference shall be satisfactory to the Association: (i) a Project Manager; (ii) a Financial Management Expert; and (iii) a Procurement Expert; all under the leadership of a Project Coordinator (at the level of Assistant Minister).
22. “Federation Project Agreement” means the agreement between the Association and the Federation of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Federation Project Agreement.
23. “Federation Subsidiary Agreement” means the agreement to be entered into between the Recipient and the Federation, referred to in paragraph C.1 of Section I of Schedule 2 to this Agreement, as the same may be amended from time to time.
24. “FM Manual” means, as the case may be, the Financial Management Manual to be prepared by the Federation for Part 2, and its share of Part 1 of the Project, and the Financial Management Manual to be prepared by the RS for Part 3, and its share of Part 1 of the Project, in each case approved by the Association; and “FM Manuals” means the Federation Financial Management Manual and the RS Financial Management Manual, collectively.
25. “FSA” means the Food Safety Agency of Bosnia and Herzegovina established by the Law on Food 50/04, published in the official gazette of the Recipient, under the Council of Ministers of the Recipient, and includes any successor or successors thereto.
26. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006);
27. “JTWG” means the Joint Technical Working Group to be established by MOFTER and to be chaired by the MOFTER and responsible for providing technical advice on project implementation, and shall include the participation of the following institutions: (i) the Sector for Agriculture, Food, Forestry and Rural Development within the MOFTER; (ii) the VO; (iii) the APPH; (iv) the FSA; (v) the Federation MOA; (vi) the Federation Administration for Inspection Activities; (vii) the Federation Agency for Extension Services (viii) the RS MOA; (ix) the RS Administration for Inspection Activities; and (x) the RS Agency for Extension Services.
28. “KM” or Konvertible Marka means the lawful currency of the Recipient.

29. “Local Service Providers” means extension service providers, including canton extension agencies, technical institutes, academic institutions, non-government organizations, private companies and private individuals.
30. “MOAs” means, collectively, the Federation MOA and the RS MOA (as defined hereafter).
31. “MOFT” means the Ministry of Finance and Treasury of the Recipient, and includes any successor or successors thereto;
32. “MOFTER” means the Ministry of Foreign Trade and Economic Relations of the Recipient, and includes any successor or successors thereto.
33. “Operating Costs” means reasonable and necessary incremental expenditures related to the operation of the MOFTER, the APPH, the VO, the FSA, the Federation MOA, the Federation PCU, the Federation Agency for Agricultural Extension Services, the Federation Inspection Directorate, the RS MOA, the RS PCU, the RS Agency for Agricultural Extension Services, and the RS Inspection Directorate, as the case may be, including on account of Project implementation, management, coordination, and monitoring and evaluation, as approved by Association on the basis of budgets acceptable to the Association, which would not have been incurred absent the Project and include, *inter alia*, the costs of: (i) salaries paid to staff hired for the purposes of the Project, other than civil servants’ salaries; (ii) travel costs and per diems; (iii) consumable office supplies; (iv) communication, printing and publications; (v) costs of translation and interpretation; (vi) bank charges; and other miscellaneous costs as may be agreed with the Association from time to time.
34. “Operational Manual” means the manual, dated May 8, 2007, adopted by the Recipient and satisfactory to the Association, setting forth the operational and administrative responsibilities, procedures and rules for the implementation of the Project, including the FM Manuals, and as the same may be amended and supplemented from time to time with the Association’s prior written approval.
35. “Payments System” means, as the case may be, the harmonized and EU-compatible administration and fiduciary system for agriculture and rural development payments to be prepared by the MOFTER for Part 1.B of the Project, the Federation MOA for Part 2.B (i) of the Project, and by the RS MOA for Part 3.B (i) of the Project, in each case approved by the Association.
36. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
37. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 8, 2007, 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.

38. “Project Agreement” means either the Federation Project Agreement or the RS Project Agreement (as hereafter defined), as the case may be, and “Project Agreements” means said Project Agreements, collectively.
39. “PSC” means the Project Steering Committee appointed by the Council of Ministers of the Recipient for the purposes of the Project, and referred to in Section IA of Schedule 2 to this Agreement; chaired by the Minister of the MOFTER, and including Ministers or their designated representative of the MOFT, the Federation MOA, the Federation MOF, the RS MOA, the RS MOF, and the Directors of the FSA, the VO, the APPH, the EU Integration Directorate under the Council of Ministers.
40. “Republika Srpska” or “RS” means Republika Srpska, a political subdivision of the Recipient, and includes any successor or successors thereto.
41. “RS Inspection Directorate” means the Republic Administration for Inspection Affairs of RS, established in 2006 by the Law on Inspections in the Republika Srpska, and reporting directly to the RS Government, and includes any successor or successors thereto.
42. “RS Agency for Agricultural Extension Services” means the Agency for Provision of Extension Services in Agriculture, under the jurisdiction of the RS MOA, established in 2004 by the Amendment to the Law on Ministries, and includes any successor or successors thereto.
43. “RS MOA” means the Ministry of Agriculture, Forestry and Water Management of Republika Srpska, and includes any successor or successors thereto.
44. “RS MOF” means the Ministry of Finance of the Republika Srpska, and includes any successor or successors thereto.
45. “RS PCU” means the Project Coordination Unit established within the RS MOA, referred to in the Schedule to the RS Project Agreement (as defined hereafter), and which shall comprise the following staff, whose qualifications and terms of reference shall be satisfactory to the Association: (i) a Project Manager; (ii) a Financial Management Expert; and (iii) a Procurement Expert; all under the leadership of a Project Coordinator (at the level of Assistant Minister).
46. “RS Project Agreement” means the agreement between the Association and RS of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the RS Project Agreement.
47. “RS Subsidiary Agreement” means the agreement to be entered into between the Recipient and the RS, referred to in paragraph C.2 of Section I of Schedule 2 to this Agreement, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to each Subsidiary Agreement.

48. “Rural Development Grant” means a grant to develop agricultural competitiveness and rural productivity, made or proposed to be made by the Federation MOA and the RS MOA, as the case may be, under Part.2.B (ii) and Part 3.B (ii) of the Project; and “Rural Development Grants” means more than one such grant.
49. “Rural Development Grant Agreement” means the agreement entered into between an Entity and a Beneficiary, referred to in Part E.2 of Section I of Schedule 2 to this Agreement.
50. “Rural Development Grants Operational Manual” means a comprehensive operational manual prepared by the Federation MOA and the RS MOA, as the case may be, as satisfactory to the Association, providing clear and transparent criteria and procedures for the submission of Rural Development Grants, including their review and approval, the disbursement of funds, and monitoring the use and impacts of funds with reference to the objectives of the Agricultural Development Strategies, and as the same may be amended from time to time with the Associations’ prior written approval.
51. “Sub-project(s)” means the sub-project(s) selected and approved by the Federation MOA, and the RS MOA, as the case may be, for Rural Development Grants in accordance with the criteria and procedures set out in the Rural Development Grants Operational Manual, and consistent with the objectives of the Agricultural and Rural Development Strategies.
52. “Subsidiary Agreement” means the Federation Subsidiary Agreement and the RS Subsidiary Agreement, as the case may be, referred to in Section I.C of Schedule 2 to this Agreement and the term “Subsidiary Agreements” means said agreements collectively.
53. “Subsidiary Financing” means the financing to be made out of the proceeds of the Financing provided to each Entity under a Subsidiary Agreement.
54. “Technical services” means expenditures for cost of engineering design, construction supervision, and specialized surveys.
55. “Training” means expenditures, as approved by the Association, on the basis of budgets and plans prepared by the MOFTER, the APPH, the VO, the FSA, the Federation MOA, the Federation PCU, the Federation Agency for Agricultural Extension Services, the Federation Inspection Directorate, the RS MOA, the RS PCU, the RS Agency for Agricultural Extension Services, and the RS Inspection Directorate, as the case may be, and revised annually, acceptable to the Association, and incurred in connection with Project-related training, workshops, seminars, conferences, and study tours, including travel costs and per-diem allowances for the trainees and the trainers, and other training-related activities and expenditures as may be agreed with the Association from time to time.
56. “VO” means the Veterinary Office of Bosnia and Herzegovina established by Law on Ministries, official gazette of the Recipient number 5/03, under the

Ministry of Foreign Trade and Economic Relations of the Recipient, and includes any successor or successors thereto.