

Public Disclosure Authorized

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF091969

Global Environment Facility Trust Fund Grant Agreement

(Neretva and Trebisnjica Management Project)

between

BOSNIA AND HERZEGOVINA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

acting as an Implementing Agency of the Global Environment Facility

Dated September 9, 2008

Public Disclosure Authorized

GEF TRUST FUND GRANT NUMBER TF091969

GLOBAL ENVIRONMENT FACILITY GRANT AGREEMENT

AGREEMENT dated September 9, 2008, entered into between:

BOSNIA and HERZEGOVINA (“Recipient”); and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“World Bank”), acting as an implementing agency of the Global Environment Facility (“GEF”).

The Recipient and the World Bank hereby agree as follows:

**Article I
Standard Conditions; Definitions**

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 20, 2006 (“Standard Conditions”) 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 Standard Conditions or in the Appendix to this Agreement.

**Article II
The Project**

2.01. The Recipient declares its commitment to the objectives of the Project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall:

- (i) carry out Part 1 of the Project through MOFTER;
- (ii) cause Part 2 of the Project to be carried out by the Federation through the Federation MAWMF, the Federation MET and the Agency for Watershed of the Adriatic Sea, as the case may be, and the Federation PIT in accordance with the agreement of even date herewith between the World Bank and the Federation, as such agreement may be amended from time to time (“the Federation Project Agreement”); and

- (iii) cause Part 3 of the Project to be carried out by the Republika Srpska through the RS MAFWM, the RS MSPCEE and the Republika Srpska Water Directorate, as the case may be, and the RS PIT in accordance with the agreement of even date herewith between the World Bank and the Republika Srpska, as such agreement may be amended from time to time (“the RS Project Agreement”);

all in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank 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 III The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to six million United States Dollars (\$6,000,000) (“Grant”) to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

Article IV Additional Remedies

4.01. The Additional Events of Suspension referred to in Section 4.02(i) of the Standard Conditions consist of the following:

- (a) The Recipient has failed to perform any of its obligations under this Agreement or the MOU, or has taken or permitted to be taken any action which would prevent or interfere with the performance by the Federation or RS of their obligations under the Federation Project Agreement or the RS Project Agreement, respectively.

- (b) The Federation or RS have failed to perform any obligation under the Federation Project Agreement or the RS Project Agreement, respectively.

- (c) 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 the Recipient shall be able to perform its obligations under this Agreement or the MOU, or that the ISWC or the CC shall be able to perform their respective obligations under the MOU.

(d) As a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable that the Federation or RS will be able to perform their obligations under the Federation Project Agreement or the RS Project Agreement, respectively.

(e) The Water Law of the Federation (Official Gazette of the Federation No. 70/06) pursuant to which the Agency for Watershed of the Adriatic Sea has been established, or the Water Law of RS (Official Gazette of RS No. 50/06), pursuant to which the Republika Srpska Water Directorate is operating, has been amended, suspended, abrogated, repealed or waived, or the Recipient, the Federation or RS has enacted new legislation or issued new directives, so as to affect materially and adversely the ability of the Agency for Watershed of the Adriatic Sea or the Republika Srpska Water Directorate to perform any of their respective obligations.

(f) The World Bank has suspended in whole or in part the right of the Republic of Croatia to make withdrawals under the Croatia GEF Agreement, because of a failure by the Republic of Croatia to perform any of its obligations under such Agreement.

(g) The World Bank has determined after the Effective Date referred to in Section 5.03 of this Agreement that prior to such Date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.

Article V Effectiveness; Termination

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied:

(a) The execution and delivery of this Agreement on behalf of the Recipient and the Project Agreement on behalf of the Entity referred to in paragraph (e) of this Section 5.01 have been duly authorized or ratified by all necessary governmental action;

(b) The MOFTER PMT, the Federation PIT and the RS PIT have each been established with a composition and terms of reference satisfactory to the World Bank;

(c) The Croatia GEF Agreement has been executed and delivered and all conditions precedent to its effectiveness (other than the effectiveness of this Agreement) have been fulfilled;

(d) The MOU has been executed on terms and conditions satisfactory to the World Bank;

(e) A Project Agreement has been executed on behalf of the World Bank and an Entity, on terms and conditions satisfactory to the World Bank;

(f) For the Entity referred to in paragraph (e) of this Section 5.01, a Subsidiary Grant Agreement has been executed on behalf of the Recipient and the Entity concerned, on terms and conditions satisfactory to the World Bank; and

(g) The Operational Manual has been duly adopted by the Recipient, the Republic of Croatia, the Entities and HV.

5.02. As part of the evidence to be furnished pursuant to Sections 5.01 (a), (e) and (f), there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Recipient, showing the following matters:

(a) on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms;

(b) on behalf of the Entity referred to in Section 5.01 (e), that the Project Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms; and

(c) the Subsidiary Grant Agreement referred to in Section 5.01 (f) has been duly authorized or ratified by the Recipient and the Entity concerned, and is legally binding upon each such party in accordance with its terms.

5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.04. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date one hundred and twenty (120) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VI
Recipient's Representative; Addresses

6.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance and Treasury of Bosnia and Herzegovina.

6.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

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

Facsimile:

(387-33) 202-930

6.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI) or
64145 (MCI)

1-202-477-6391

AGREED at Zagreb, Republic of Croatia, as of the day and year first above written.

BOSNIA AND HERZEGOVINA

By /s/ Dragan Vrankic

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
acting as an Implementing Agency of the
Global Environment Facility

By /s/ Andras Horvai

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to provide mechanisms for efficient and equitable water allocation amongst the users of the Neretva and Trebisnjica river basin (NTRB) at the transboundary level, and for enhancing said basin's ecosystems and biodiversity through improved water resources management.

The Project consists of the following Parts:

Part 1. Bosnia and Herzegovina

A. Improved Transboundary Water Resource Management

Investment in water resource management capacity and strengthening of mechanisms and tools for effective transboundary water resource management through: (i) institution and capacity-building of interstate and national institutions, including support and equipment for the Agency for Watershed of the Adriatic Sea and the Republika Srpska Water Directorate, support for operations of the CC and ISWC, Training and technical assistance; (ii) measurement, monitoring and information management, including the provision of equipment for the existing network of water measurement and monitoring stations in the NTRB, and Training in their use, and the development of a basin-wide water information system; and (iii) preparation of a river basin management plan.

B. Project Management

Support to Project implementation, management, coordination, monitoring and evaluation by the MOFTER PMT, including the carrying out of audits under the Project.

Part 2. The Federation

A. Improved Management and Use of Wetlands Ecosystems and Biodiversity

Investment in water infrastructure improvements and hydropower plant operations to maintain and conserve water dependent ecosystems, and their associated biodiversity in the NTRB through: (i) Improved management and use of water-dependent ecosystems, including civil works and technical assistance; (ii) Small-scale water management infrastructure, including civil works to reconstruct infrastructure and investments to reduce erosion processes along the river banks of the NTRB; and (iii) Improved operation of reservoirs and hydropower plants, through the provision of technical assistance.

B. High Priority Investments for Water Pollution Control

Reduction of water pollution to the NTRB through: (i) the rehabilitation and upgrading of municipal wastewater treatment systems; (ii) Improvements in industrial pollution control in Konjic waste water treatment; and (iii) Strengthening of water quality monitoring and Training.

C. Public Participation and Management of Project Implementation

(i) Development of public participation in the decision-making process for water resource management through financial support for annual multi-sectoral, basin wide workshops on water resources and the environment for the scientific community;

(ii) Promotion of civil society participation through: (a) financial support to NGO activities related to the objectives of the Project, including technical assistance; and (b) a Small Grants Program; and

(iii) Support to Project implementation, management and coordination, and monitoring and evaluation by the Federation PIT, including the carrying out of audits under the Project.

Part 3. Republika Srpska

A. Improved Management and Use of Wetlands Ecosystems and Biodiversity

Investment in water infrastructure improvements and hydropower plant operations to maintain and conserve water dependent ecosystems, and their associated biodiversity in the NTRB through: (i) Improved management and use of water-dependent ecosystems, including civil works and technical assistance; and (ii) Improved operation of reservoirs, hydropower plants and dams, through the provision of equipment and technical assistance.

B. High Priority Investments for Water Pollution Control

Reduction of water pollution to the NTRB through: (i) the rehabilitation and upgrading of municipal wastewater treatment systems; and (ii) strengthening of water quality monitoring and Training.

C: Public Participation and Management of Project Implementation

(i) Development of public participation in the decision-making process for water resource management through financial support for annual multi-sectoral, basin wide workshops on water resources and the environment for the scientific community;

(ii) Promotion of civil society participation through: (a) financial support to NGO activities related to the objectives of the Project, including technical assistance; and (b) a Small Grants Program; and

(iii) Support to Project implementation, management and coordination, and monitoring and evaluation by the RS PIT, including the carrying out of audits under the Project.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

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

1. The ISWC and the CC, with the technical guidance of the TA, as necessary, shall be responsible for coordinating work between the Recipient and the Republic of Croatia under the Project, and for giving guidance on solving common problems in a manner consistent with the provisions of the MOU.
2. The Recipient shall, within three (3) months from the Effective Date, establish the CC in a manner and with a composition and terms of reference satisfactory to the World Bank, and named its representatives on the CC.
3. MOFTER, through the MOFTER PMT, shall have responsibility for: (a) implementation, financial management and procurement of Part 1 of the Project, and for purposes of Part 1.A (iii) of the Project, shall be supported by the ISWC, the CC and the TA, as necessary, in accordance with the MOU; and (b) overall coordination, reporting and evaluation of Parts 1, 2 and 3 of the Project.
4. The Federation, through the Federation MAWMF, the Federation MET and the Agency for Watershed of the Adriatic Sea, as the case may be, and the Federation PIT, shall have responsibility for implementation, procurement, financial management and reporting activities of Part 2 of the Project, with the support of the ISWC, the CC and the TA, as necessary, for Parts 2.A (iii) and 2.C (i) of the Project in accordance with the MOU.
5. Republika Srpska, through the RS MAFWM, the RS MSPCEE and the Republika Srpska Water Directorate, as the case may be, and the RS PIT, shall have responsibility for implementation, procurement, financial management and reporting activities of Part 3 of the Project, with the support of the ISWC, the CC and the TA, as necessary, for Parts 3.A (ii) and 3.C (i) of the Project in accordance with the MOU.

B. Implementation Covenants

1. The Recipient shall maintain the ISWC, the CC, the TA and the MOFTER PMT, and shall cause the Entities to maintain, respectively, the Federation PIT and the RS PIT at all times during Project implementation, with terms of reference and resources satisfactory to the World Bank, and with competent staff in adequate numbers.

2. The Recipient, through the ISWC, CC, TA, MOFTER and the MOFTER PMT shall, and shall cause the Entities, through, respectively, the Federation MAWMF, the Federation MET, the Agency for Watershed of the Adriatic Sea, the Federation PIT, the RS MAFWM, the RS MSPCEE, the Republika Srpska Water Directorate and the RS PIT to:

(a) duly perform all obligations under the Operational Manual, the EMP, the EMF and the MOU 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, the EMP, the EMF or the MOU or any provisions of any one thereof, except with the prior written approval of the World Bank.

3. The Recipient shall cause the Entities, through the Waste Water Utilities, not later than November 30 of each year, during the implementation of the Project, each to submit to the World Bank an Annual Business Plan for the following calendar year, and shall agree with the World Bank on activities to be undertaken under the Project in the following year and the related budget.

4. The Recipient shall, through the MOFTER PMT, and shall cause the Entities, through the Federation PIT and the RS PIT respectively to: (a) duly perform all obligations under this Agreement, the respective Subsidiary Grant Agreements and Project Agreements, as the case may be, in accordance with the river basin management plan to be prepared under Part 1.A(iii) of the Project and acceptable to the World Bank; and (b) in the event that said plan is amended or waived, ensure that any such amendment or waiver is acceptable to the World Bank.

C. Subsidiary Agreements

1. To facilitate the carrying out and financing of Part 2 of the Project, the Recipient shall make part of the proceeds of the Grant available to the Federation under a subsidiary grant agreement between the Recipient and the Federation (“Federation Subsidiary Grant Agreement”), under terms and conditions approved by the World Bank, which shall include the following: the Recipient shall on-grant to the Federation an amount equivalent to two million five hundred thousand United States Dollars (\$2,500,000) of the amount of the Grant allocated to Categories 2, 3, 4 and 5 set forth in the table in Part A.2, Section IV of Schedule 2 to this Agreement.

2. To facilitate the carrying out and financing of Part 3 of the Project, the Recipient shall make part of the proceeds of the Grant available to RS under a subsidiary grant agreement between the Recipient and RS (“RS Subsidiary Grant Agreement”), under terms and conditions approved by the World Bank, which shall include the following: the Recipient shall on-grant to RS an amount equivalent to one million eight hundred

thousand United States Dollars (\$1,800,000) of the amount of the Grant allocated to Categories 6, 7, 8, and 9 set forth in the table in Part A.2, Section IV of Schedule 2 to this Agreement.

3. The Recipient shall exercise its rights under the Subsidiary Grant Agreements in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive either of the Subsidiary Grant Agreements or any of their respective provisions.

D. Sub-Projects.

1. For purposes of Parts 2.C(ii)(b) and 3.C(ii)(b) of the Project, the Recipient shall cause the Entities to make grants to Beneficiaries under the Small Grants Program in accordance with eligibility criteria and procedures set forth in the Operational Manual and acceptable to the World Bank, which shall include, *inter alia*, the following: grants made under the Small Grants Program shall be selected, appraised, implemented and evaluated in accordance with the principles and procedures set forth in the Operational Manual, the Procurement Guidelines, the EMP and the EMF.

2. The Recipient shall cause the Entities to make grants under the Small Grants Program under a Small Grants Program Grant Agreement with the respective Beneficiary on terms and conditions approved by the World Bank, which shall include the following:

- (a) Grants made under the Small Grants Program 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 World Bank, including the right to:
 - (i) suspend or terminate the right of the Beneficiary to use the proceeds of the grant made under the Small Grants Program, or obtain a refund of all or any part of the amount of the grant made under the Small Grants Program, upon the Beneficiary's failure to perform any of its obligations under the Small Grants Program Grant Agreement; and
 - (ii) require each Beneficiary to: (A) carry out its obligations under the Small Grants Program 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 World Bank, including in accordance with the EMF and the EMP; (B) provide, promptly as needed, the resources required for the purpose; (C) procure

the goods, works and services to be financed out of the Small Grants Program 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 World Bank, 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 World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the sub-project; and (2) at the World Bank's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank, and promptly furnish the statements as so audited to the Recipient and the World Bank; (F) enable the Recipient and the World Bank to inspect the sub-project, its operation and any relevant records and documents; and (G) prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing.

3. The Recipient shall cause the Entities to exercise their rights under each Small Grants Program Grant Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall cause the Entities not to assign, amend, abrogate or waive any Small Grants Program Grant Agreement or any of its provisions.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient, through the MOFTER PMT and with the cooperation of the Federation PIT and the RS PIT, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators agreed with the World Bank. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than forty five (45) days after the end of the period covered by such report.

2. The Recipient, through the MOFTER PMT and with the cooperation of the Federation PIT and the RS PIT, shall:

(a) prepare, under terms of reference satisfactory to the World Bank, and furnish to the World Bank, on or about thirty (30) months after the Effective Date, a report integrating the results of the monitoring and evaluation activities performed pursuant to the preceding paragraph 1, on the progress achieved in the carrying out the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out the Project and the achievement of the objectives thereof during the period following such date; and

(b) review with the World Bank, by thirty one (31) months after the Effective Date, or such later date as the World Bank shall request, the report referred to in the preceding sub-paragraph (a), 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 said report and the World Bank's views on the matter.

3. The Recipient, through the MOFTER PMT and with the cooperation of the Federation PIT and the RS PIT, shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

B. Financial Management; Financial Reports; Audits

1. The Recipient, through the MOFTER PMT, shall, and shall cause the Entities, through the Federation PIT and RS PIT, respectively, to maintain a financial management system in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient, through the MOFTER PMT, shall, and shall cause the Entities, through the Federation PIT and RS PIT, respectively, to prepare and furnish to the World Bank 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 World Bank.

3. The Recipient, through the MOFTER PMT, shall, and shall cause the Entities, through the Federation PIT and RS PIT, respectively, to have the Financial Statements for the Project audited by independent auditors acceptable to the World Bank and on terms of reference acceptable to the World Bank in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audits of the Financial Statements shall cover the period of one (1) fiscal year. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Procurement and Consultant Guidelines.** All goods, works and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:
 - (a) Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 (“Procurement Guidelines”) in the case of goods and works, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 (“Consultant Guidelines”) in the case of consultants’ services; and
 - (b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).
2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank 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 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 methods, other than International Competitive Bidding, may be used for procurement of goods and works for those contracts specified in the Procurement Plan:

Procurement Method for Works

National Competitive Bidding, subject to the following additional provisions:

(1) **Registration**

- (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.

(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, 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 World Bank.

(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 eighteen (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 World Bank's prior written concurrence.

ECA Regional Sample Bidding Documents, modified as acceptable to the World Bank, shall be used.

Procurement Method for Goods

Shopping

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 methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those assignments which are specified in the Procurement Plan.

<u>Procurement Method</u>
(a) Selection Based on Consultants' Qualifications
(b) Selection under a Fixed Budget
(c) Least Cost Selection
(d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(e) Single-Source Selection
(f) Sole Source Procedures for the Selection of Individual Consultants

D. Review by the World Bank of Procurement Decisions

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

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of (a) Article III of the Standard Conditions, (b) this Section, and (c) such additional instructions as the World Bank may 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 World Bank 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 Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed
1. Goods, works and consultants’ services, Operating Costs and Training for Part 1 of the Project	1,700,000	100%
2. Goods, consultants’ services, Operating Costs and Training, for Part 2 of the Project except for Part 2.C(ii)(b) of the Project	700,000	100%
3. Works for Part 2 of the Project, except for Part 2.B of the Project	450,000	80%
4. Works for Part 2.B of the Project	1,100,000	50%
5. Grants made under the Small Grants Program under Part 2.C(ii)(b) of the Project	250,000	85%
6. Goods, consultants’ services, Operating Costs and Training for Part 3 of the Project, except for Part 3.C(ii)(b) of the Project	600,000	100%
7. Works for Part 3 of the Project except for Part 3.B of the Project	70,000	80%
8. Works for Part 3.B of the Project	1,000,000	50%
9. Grants made under the Small Grants Program under Part 3.C(ii)(b) of the Project	130,000	85%
TOTAL AMOUNT	<u>6,000,000</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; or
 - (b) For expenditures under Categories 2, 3, 4 and 5 in the table in Part A.2, Section IV of Schedule 2 to this Agreement, unless:
 - (i) A Project Agreement between the World Bank and the Federation has been executed on terms and conditions satisfactory to the World Bank;
 - (ii) A Subsidiary Grant Agreement between the Recipient and the Federation has been executed on terms and conditions satisfactory to the World Bank; and
 - (iii) An opinion has been furnished to the World Bank stating that the Federation Project Agreement and the Federation Subsidiary Grant Agreement have been duly authorized or ratified by the Federation and the Recipient, as the case may be, and are legally binding upon them in accordance with their respective terms; or
 - (c) For expenditures under Categories 6, 7, 8 and 9 in the table in Part A.2, Section IV of Schedule 2 to this Agreement, unless:
 - (i) A Project Agreement between the World Bank and Republika Srpska has been executed on terms and conditions satisfactory to the World Bank;
 - (ii) A Subsidiary Grant Agreement between the Recipient and Republika Srpska has been executed, on terms and conditions satisfactory to the World Bank; and
 - (iii) An opinion has been furnished to the World Bank stating that RS Project Agreement and the RS Subsidiary Grant Agreement have been duly authorized or ratified by RS and the Recipient, as the case may be, and are legally binding upon them in accordance with their respective terms.
2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2013.

APPENDIX

Definitions

1. “Agency for Watershed of the Adriatic Sea” means the agency for watershed of the Adriatic Sea, an agency established under the Federation MAWMF pursuant to the Water Law of the Federation (Official Gazette of the Federation No. 70/06), and includes any successor or successors thereto.
2. “Annual Business Plan” means the annual plan of activities supported by the Project to be carried out each calendar year, as prepared by Waste Water Utilities pursuant to Part B.3, Section I of Schedule 2 to this Agreement, and satisfactory to the World Bank.
3. “Beneficiary” means a recipient of a grant under the Small Grants Program, and includes recipients from the private sector (farmers, craftsmen, small and medium size firms), government sector (state institutions) and non-governmental sector (national and local non-government organizations); and “Beneficiaries” means more than one Beneficiary.
4. “Category” means a category set forth in the table in Section IV, Schedule 2 to this Agreement.
5. “CC” means the Coordination Committee to be established pursuant to paragraph A.2, Section I of Schedule 2 to this Agreement, by the Recipient by a decision of its Council of Ministers and by the Republic of Croatia by an inter-ministerial decision of Croatia MORDFWM, Croatia MEPPPC, Croatia MOC and Croatia MAFRD on terms and conditions satisfactory to the World Bank, and comprising representatives of each of the following: (i) the Federation MAWMF; (ii) the Federation MET; (iii) the Federation PIT; (iv) the RS MAFWM; (v) the RS MSPCEE; (vi) the RS PIT; (vii) the Project Coordinator and Deputy Project Coordinator of the MOFTER PMT; (viii) the Croatia MORDFWM; (ix) the Croatia MEPPPC; (x) the Croatia MOC; (xi) the Croatia MAFRD; and (xii) the Director of the Croatia PIT.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004.
7. “Croatia GEF Agreement” means the GEF Trust Fund Grant Agreement between the Republic of Croatia and the World Bank of even date herewith.
8. “Croatia MAFRD” means the Ministry of Agriculture, Fisheries and Rural Development of the Republic of Croatia, and includes any successor or successors thereto.

9. “Croatia MEPPPC” means the Ministry of Environmental Protection, Physical Planning and Construction of the Republic of Croatia, and includes any successor or successors thereto.
10. “Croatia MOC” means the Ministry of Culture of the Republic of Croatia, and includes any successor or successors thereto.
11. “Croatia MORDFWM” means the Ministry of Regional Development, Forestry and Water Management of the Republic of Croatia, and includes any successor or successors thereto.
12. “Croatia PIT” means the Project Implementation Team, established within Hrvatske Vode and comprising representatives of the Croatia MORDFWM, Croatia MEPPPC, Croatia MOC and Croatia MAFRD and the following staff, whose qualifications and terms of reference shall be satisfactory to the World Bank: (i) a Project Manager, (ii) a Financial Manager, and (iii) a Procurement Manager.
13. “Entity” means the Federation of Bosnia and Herzegovina or Republika Srpska, as the case may be; and “Entities” refers to the Federation of Bosnia and Herzegovina and Republika Srpska collectively.
14. “EMF” means the Environmental Management Framework dated August 2006, prepared by the Recipient and the Republic of Croatia, satisfactory to the World Bank, describing the rules, guidelines and procedures to assess environmental impacts and defining measures to reduce, mitigate or offset adverse environmental impacts under the Project and enhance positive impacts of investments under Part 2.C(ii)(b) and Part 3.(C)(ii)(b) of the Project, as the same may be amended from time to time with the prior written approval of the World Bank.
15. “EMP” means the Environmental Management Plan dated August 2006, prepared by the Recipient and the Republic of Croatia, satisfactory to the World Bank, describing the environmental mitigation measures anticipated for activities under the Project, and parties responsible for monitoring environmental and social impacts, as the same may be amended from time to time with the prior written approval of the World Bank.
16. “Federation” means the Federation of Bosnia and Herzegovina, a constitutive part of the Recipient, and includes any successor or successors thereto.
17. “Federation MAWMF” means the Ministry of Agriculture, Water Management and Forestry of the Federation of Bosnia and Herzegovina, and includes any successor or successors thereto.

18. “Federation MET” means the Ministry of Environment and Tourism of the Federation of Bosnia and Herzegovina, and includes any successor or successors thereto.
19. “Federation PIT” means the Project Implementation Team established within the Agency for Watershed of the Adriatic Sea under the Federation MAWMF, comprising representatives of the Federation MET and municipalities concerned by the Project in the Federation and the following staff, whose qualifications and terms of reference shall be satisfactory to the World Bank: (i) a Project Manager; (ii) a Financial Manager; and (iii) a Procurement Manager.
20. “Federation Project Agreement” means the agreement between the World Bank 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.
21. “Federation Subsidiary Grant Agreement” means the agreement to be entered into between the Recipient and the Federation, as the same may be amended from time to time with the prior written approval of the World Bank, and such term includes all schedules and agreements supplemental to the Federation Subsidiary Grant Agreement.
22. “FM Manual” means the Financial Management Manual prepared by the Recipient for the Project, as an integral part of the Operational Manual and satisfactory to the World Bank, setting out the financial management and internal control policies and procedures for financial management and financial reporting of the Project.
23. “Hrvatske vode” or “HV” means a state agency of the Republic of Croatia responsible for national water resource management, established pursuant to the Republic of Croatia’s Water Act of 1995, as amended (Official Gazettes No. 107/95 and No. 150/05).
24. “ISWC” means the Interstate Water Commission regulating water management relations between the Recipient and the Republic of Croatia, established pursuant to Article 5 of the Treaty Between the Government of the Republic of Croatia and the Government of Bosnia and Herzegovina Regulating Water Management Relations, dated July 11, 1996, and composed of three members from the Recipient and three members from the Republic of Croatia who are representing key water management authorities in their respective countries.
25. “KM” or Konvertible Marka means the lawful currency of the Recipient.

26. “MOU” means the Memorandum of Understanding executed pursuant to Section 5.01 (d) of this Agreement, entered into between the Recipient and the Republic of Croatia, on terms and conditions satisfactory to the World Bank, confirming obligations undertaken by said parties under the Treaty Between the Government of the Republic of Croatia and the Government of Bosnia and Herzegovina Regulating Water Management Relations, dated July 11, 1996, and regarding their mutual obligations under this Agreement and the Croatia GEF Agreement, respectively, as the same may be amended from time to time with the prior written approval of the World Bank.
27. “MOFTER” means the Ministry of Foreign Trade and Economic Relations of the Recipient, and includes any successor or successors thereto.
28. “MOFTER PMT” means the Project Management Team within MOFTER and comprising the following staff, whose qualifications and terms of reference shall be satisfactory to the World Bank: (i) a Project Coordinator, (ii) a Deputy Project Coordinator, (iii) a Financial Manager, and (iv) a Procurement Manager.
29. “NGO” means non-government organization, and “NGOs” means more than one NGO.
30. “NTRB” means the Neretva and Trebisnjica river basin.
31. “Operating Costs” means reasonable and necessary incremental expenditures related to the operation of the MOFTER PMT, the Federation PIT and the RS PIT, respectively, including on account of Project implementation, management, coordination, and monitoring and evaluation, as approved by the World Bank on the basis of budgets acceptable to the World Bank, which would not have been incurred absent the Project 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) 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; and (vi) costs of translation and interpretation.
32. “Operational Manual” means the manual adopted pursuant to Section 5.01 (g) of this Agreement, by the Recipient, the Republic of Croatia, the Entities and HV, satisfactory to the World Bank, setting forth the operational and administrative responsibilities, procedures and rules for the implementation of the Project, and including, *inter alia*, the FM Manual, the EMP, the EMF and the eligibility criteria, selection procedures, terms and conditions and procurement arrangements for the Small Grants Program, as may be amended from time to time with the World Bank’s prior written approval.

33. "Procurement Guidelines" means the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the World Bank in May 2004.
34. "Procurement Plan" means the Recipient's procurement plan for the Project, dated March 19, 2008 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.
35. "Project Agreement" means the Federation Project Agreement or the RS Project Agreement, as the case may be; and "Project Agreements" means said Project Agreements collectively.
36. "Republika Srpska" or "RS" means Republika Srpska, a constitutive part of the Recipient, and includes any successor or successors thereto.
37. "RS MAFWM" means the Ministry of Agriculture, Forestry and Water Management of Republika Srpska, and includes any successor or successors thereto.
38. "RS MSPCEE" means the Ministry of Spatial Planning, Civil Engineering and Environment of Republika Srpska, and includes any successor or successors thereto.
39. "RS PIT" means the Project Implementation Team established within the Republika Srpska Water Directorate under the RS MAFWM, and comprising representatives of RS MSPCEE and municipalities concerned by the Project in Republika Srpska and the following staff, whose qualifications and terms of reference shall be satisfactory to the World Bank: (i) a Project Manager; (ii) a Financial Manager; and (iii) a Procurement Manager.
40. "RS Project Agreement" means the agreement between the World Bank 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.
41. "RS Subsidiary Grant Agreement" means the agreement to be entered into between the Recipient and RS, as the same may be amended from time to time with the prior written approval of the World Bank, and such term includes all schedules and agreements supplemental to the RS Subsidiary Grant Agreement.
42. "Republika Srpska Water Directorate" means the Republika Srpska Water Directorate, an agency responsible for watershed management and operating under the RS MAFWM pursuant to the Water Law of RS (Official Gazette of RS No. 50/06), and includes any successor or successors thereto.

43. “Small Grants Program” means a competitive program for grants made or proposed to be made to Beneficiaries under Parts 2.C(ii)(b) and 3.C(ii)(b) of the Project, in accordance with eligibility criteria and procedures set forth in the Operational Manual for the support of projects which demonstrate innovative and low cost approaches to economic development and which contribute to water pollution control and conservation.
44. “Small Grants Program Grant Agreement” means an agreement entered into between an Entity and a Beneficiary, referred to in Part D.2, Section I of Schedule 2 to this Agreement.
45. “Subsidiary Grant Agreement” means the Federation Subsidiary Grant Agreement or the RS Subsidiary Grant Agreement, as the case may be; and the term “Subsidiary Grant Agreements” means said agreements collectively.
46. “TA” means the Technical Advisory Group to be established from time to time by the Recipient together with the Republic of Croatia pursuant to the MOU, and upon the request of the CC, and composed of experts from the Recipient and the Republic of Croatia in water, environment, agriculture and energy sectors, and representatives of hydropower plant authorities, municipalities and NGOs, as appropriate.
47. “Training” means expenditures, as approved by the World Bank, on the basis of budgets and plans prepared by the MOFTER PMT, the Federation PIT and the RS PIT, respectively, revised annually and satisfactory to the World Bank, 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 World Bank from time to time.
48. “Waste Water Utility” means a local body or enterprise in each Entity, responsible for sanitation and the treatment and disposal of municipal waste referred to in Part B.3, Section I to Schedule 2 to this Agreement; and “Waste Water Utilities” means more than one Waste Water Utility.