

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 3954-1-BOS

Financing Agreement

(Additional Financing for Urban Infrastructure and Service Delivery Project)

between

BOSNIA AND HERZEGOVINA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 31, 2007

CREDIT NUMBER 3954-1-BOS

FINANCING AGREEMENT

Agreement dated August 31, 2007, entered into between BOSNIA and HERZEGOVINA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). 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 three million three hundred thousand Special Drawing Rights (SDR 3,300,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 April 15 and October 15 in each year.

- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Euro.

ARTICLE III - PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project, through the PMT, in accordance with the provisions of Article IV of the General Conditions, the Federation Project Agreement and the RS Project Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the Operational Manual and 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 Project Implementing Entity shall have failed to perform any of its obligations under its respective Project Agreement or Subsidiary Credit Agreement.
 - (b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that either Project Implementing Entity shall be able to perform its obligations under its respective Project Agreement or Subsidiary Credit Agreement, or the Operational Manual, or that the PMT or any of the PITs shall be able to perform their respective obligations under this Agreement, the Operational Manual, or any of the Subsidiary Financing Agreements, as the case may be.
 - (c) The Recipient, either Project Implementing Entity, or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the PMT or any of the PITs, or for the suspension of any of their respective activities.
 - (d) The Operational Manual shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in

the opinion of the Association, the carrying out of the Project or the realization of its objective.

4.02. The Additional Event of Acceleration consists of the following:

- (a) The event specified in paragraphs (a), (c) or (d) of Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V - EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

- (a) The Federation Project Agreement and the RS Project Agreement have been executed on behalf of the Association and each Project Implementing Entity, respectively, on terms and conditions satisfactory to the Association.
- (b) The Federation Subsidiary Credit Agreement and the RS Subsidiary Credit Agreement have been executed on behalf of the Recipient and each Project Implementing Entity, respectively, on terms and conditions satisfactory to the Association.
- (c) A Subsidiary Financing Agreement has been executed on behalf of a Project Implementing Entity and a Participating Utility, on terms and conditions satisfactory to the Association.
- (d) A Subsidiary Financing Agreement has been executed on behalf of a Project Implementing Entity and a Participating Municipality, on terms and conditions satisfactory to the Association.

5.02. The Additional Legal Matters consist of the following:

- (a) The Federation Project Agreement and the RS Project Agreement each have been duly authorized or ratified by the Federation and RS, as the case may be, and is legally binding on the relevant Project Implementing Entity in accordance with its terms.
- (b) The Federation Subsidiary Credit Agreement and the RS Subsidiary Credit Agreement referred to in paragraph (b) of Section 5.01 above each have been duly authorized or ratified by the Recipient and the relevant Project Implementing Entity, and is legally binding upon the Recipient

and the relevant Project Implementing Entity in accordance with its terms.

- (c) The Subsidiary Financing Agreements referred to in paragraphs (c) and (d) of Section 5.01 above each have been duly authorized or ratified by the relevant Project Implementing Entity and the relevant Participating Utility and Participating Municipality, as the case may be, and is legally binding upon the relevant Project Implementing Entity and the relevant Participating Utility and Participating Municipality 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 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) 471-822

- 6.03. The Association's Address is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI)

1-202-477-6391

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

BOSNIA AND HERZEGOVINA

By /s/ Dragan Vrankic

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Marco Mantovanelli

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to: (i) improve the availability, quality and reliability of delivery of basic municipal services, in particular, water supply and sanitation; (ii) strengthen the ability of cantonal and municipal governments to improve management and institutional capacity for infrastructure development, through urban management development plans; and (iii) foster deeper social cohesion, through improvements in overall living conditions.

The Project consists of Parts A.1 through 3, Parts D and E of the Original Project and the following additional parts:

Part B: Urban Management Development Plans and Investments

Financing of Sub-projects, through the provision of Subsidiary Financings to the Participating Municipalities, to facilitate:

1. the implementation of urban management development plans, based upon an urban database and information system; and
2. investments in selected sectors, based upon conclusions of the strategic urban planning process.

Part C: Investments for Improved Efficiency

Financing of Sub-projects, through the provision of Subsidiary Financings to Group Utilities, to facilitate least-cost, priority water supply and sanitation investments, based on system improvement, lowering energy requirements, and related investments to Participating Utilities.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient, through the PMT, shall carry out the Project under the overall coordination, management and supervision of the PMT established within the Ministry of Foreign Trade and Economic Relations of the Recipient, which shall be responsible for, among other matters, the clearance, management and supervision of Project procurement activities. The operational and administrative procedures for the implementation of the Project, including for the selection, approval, monitoring, evaluation and supervision of Sub-projects, shall be set forth in the Operational Manual, which shall be followed by the Recipient, through the PMT, each of the Entities and the PITs.

2. The Recipient shall maintain the Operational Manual, and shall also maintain the Federation Subsidiary Credit Agreement and the RS Subsidiary Credit Agreement, in form and content satisfactory to the Association, and duly perform all its obligations under the Operational Manual, the Federation Subsidiary Credit Agreement and the RS Subsidiary Credit Agreement and shall not take or concur in any action which would have the effect of amending, assigning, abrogating or waiving the Operational Manual, the Federation Subsidiary Credit Agreement or the RS Subsidiary Credit Agreement without obtaining the prior approval of the Association.

3. The Recipient shall take, or cause to be taken, all measures necessary to ensure that the PMT is maintained and adequately staffed throughout the implementation of the Project, satisfactory to the Association.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Federation's Respective Part of the Project, the Recipient shall make part of the proceeds of the Financing, an amount equivalent to three million eighty thousand Special Drawing Rights (SDR 3,080,000), available to the Federation under a subsidiary credit agreement between the Recipient and the Federation (the Federation Subsidiary Credit Agreement) under terms and conditions which shall have been approved by the Association. Except as the Association shall otherwise agree, such terms and conditions shall include the following:

(a) the term of the Subsidiary Credit shall be twenty (20) years, including a 10-year grace period;

(b) 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 Credit not withdrawn from time to time;

(c) the Recipient shall charge the Federation a service charge on the principal amount of the Subsidiary Credit withdrawn and outstanding from time to time at a rate equal to the rate payable under Section 2.04 of this Agreement; and

(d) the principal amount of the Subsidiary Credit shall be repayable in KM and shall be the equivalent in Euro (determined as of the date or respective dates of repayment) of the value of currency or currencies withdrawn from the Credit Account on account of expenditures for the Project.

2. To facilitate the carrying out of the RS's Respective Part of the Project, the Recipient shall make part of the proceeds of the Financing, an amount equivalent to two hundred twenty thousand Special Drawing Rights (SDR 220,000), available to the Republika Srpska under a subsidiary credit agreement between the Recipient and the Republika Srpska (the RS Subsidiary Credit Agreement) under terms and conditions which shall have been approved by the Association. Except as the Association shall otherwise agree, such terms and conditions shall include the following:

(a) the term of the Subsidiary Credit shall be twenty (20) years, including a 10-year grace period;

(b) the Recipient shall charge Republika Srpska 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 Credit not withdrawn from time to time;

(c) the Recipient shall charge Republika Srpska a service charge on the principal amount of the Subsidiary Credit withdrawn and outstanding from time to time at a rate equal to the rate payable under Section 2.04 of this Agreement; and

(d) the principal amount of the Subsidiary Credit shall be repayable in KM and shall be the equivalent in Euro (determined as of the date or respective dates of repayment) of the value of currency or currencies withdrawn from the Credit Account on account of expenditures for the Project.

3. The Recipient shall exercise its rights under the Subsidiary Credit Agreements in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing, and, except as the Association shall otherwise agree, shall not assign, amend, abrogate or waive either of the Subsidiary Credit Agreements or any provision of either one thereof.

C. Anti-Corruption

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

D. Sub-projects

1. The proceeds of the Subsidiary Credits shall be relented by each Project Implementing Entity to its respective Participating Utilities and Participating Municipalities, as the case may be, under a Subsidiary Financing Agreement to be entered into between the relevant Project Implementing Entity and the relevant Participating Utility and Participating Municipality, as the case may be, under terms and conditions which shall have been approved by the Association. Except as the Association shall otherwise agree, such terms and conditions shall include the following:

(a) the Subsidiary Financing provided by the Project Implementing Entity to the relevant Participating Utility or Participating Municipality under the Subsidiary Financing Agreement to carry out the Project shall be denominated in KM;

(b) the term of the Subsidiary Financing shall be twenty (20) years, including an 8-year grace period;

(c) the Project Implementing Entity shall charge the relevant Participating Utility and Participating Municipality a commitment charge at a rate equal to the rate payable by the Recipient under Section 2.03 of this Agreement, on the principal amount of the Subsidiary Financing not withdrawn from time to time;

(d) the Project Implementing Entity shall charge the relevant Participating Utility and Participating Municipality a service charge on the principal amount of the Subsidiary Financing withdrawn and outstanding from time to time at a rate equal to two percent (2%) per annum; and

(e) the principal amount of the Subsidiary Financing shall be repayable in KM.

2. The Project Implementing Entity shall also obtain rights adequate to protect its interests and those of the Association, including the right to:

(a) suspend or terminate the right of the relevant Participating Utility or Participating Municipality to use the proceeds of the Subsidiary Credit, or obtain a refund of all or any part of the amount of the Subsidiary Credit then withdrawn, upon the failure of the relevant Participating Utility or Participating Municipality to perform any of its obligations under the Subsidiary Financing Agreement; and

- (b) require the relevant Participating Utility or Participating Municipality to:
- (i) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practice satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of the proceeds of the Financing other than the Recipient;
 - (ii) procure the goods, works and services to be financed out of the Subsidiary Credits in accordance with the provisions of this Agreement;
 - (iii) 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
 - (iv) 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.

E. Safeguards

1. The Recipient, through the PMT, shall carry out the Project in accordance with the Environmental Management Plans and the Environmental Management Plan Framework and, unless the Association otherwise agrees, shall not amend, repeal or waive any of the Environmental Management Plans or the Environmental Management Plan Framework or any provision of any one thereof.
2. The Recipient, through the PMT, shall ensure that all measures necessary for the carrying out of the Environmental Management Plans and the Environmental Management Plan Framework are taken in a timely manner.
3. The Recipient shall take, or cause to be taken, all measures necessary to ensure that the Sub-projects are implemented in a timely manner in full compliance with the provision of the Environmental Management Plans and the Environmental Management Plan Framework, as the case may be.

4. For the implementation of Part C of the Project, the Recipient shall cause each of the Project Implementing Entity to approve the respective site-specific Environmental Management Plan, satisfactory to the Association, prior to the commencement of the works.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient 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 the indicators agreed with the Association. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. The Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
<p>(a) National Competitive Shopping, subject to the following additional provisions:</p> <ul style="list-style-type: none">(i) Registration<ul style="list-style-type: none">(A) Bidding shall not be restricted to pre-registered firms.(B) 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.(C) Foreign bidders not from the territory of Bosnia and Herzegovina 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.(ii) Advertising<p>Invitations to bid in Bosnian shall be advertised in at least one (1) widely circulated local daily newspaper available over the territory of Bosnia and Herzegovina allowing a minimum of</p>

Procurement Method

thirty (30) days for the preparation and submission of bids.

(iii) Participation by Publicly-owned enterprises

Publicly-owned enterprises 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.

(iv) Bidding Documents

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

(v) Bid Opening and Bid Evaluation

(A) Bids shall be submitted in a single envelope containing the bidder's qualification information, technical and price bids, which shall be opened simultaneously at the public bid opening.

(B) Bids shall be opened in public, immediately after the deadline for submission of bids. The name of the bidder, the total amount of each bid and any discounts offered shall be read aloud and recorded in the minutes of the public bid opening.

(C) Evaluation of bids shall be made in strict adherence to the monetarily quantifiable criteria declared in the bidding documents. No merit point system will be used.

(D) Extensions of bid validity will be allowed once only for not more than thirty (30) days. No further extensions shall be requested without the prior approval of the Association.

(E) Contracts shall be awarded to the qualified bidder having submitted the lowest-evaluated, substantially

Procurement Method	
	responsive bid and no negotiation shall take place.
(vi)	Price Adjustment Civil works contracts of long duration (more than 18 months) shall contain an appropriate price adjustment clause.
(vii)	Rejection of Bids (A) All bids shall not be rejected and new bids solicited without the Association's prior concurrence. (B) When the number of bids received is less than three, re-bidding shall not be carried out without the Association's prior concurrence.
(viii)	Securities Bid security shall not exceed three percent (3%) of the estimated cost of the contract and performance security not more than ten percent (10%) of this cost. No advance payment at the amount of more than ten percent (10%) of the contract price shall be made to contractors without a suitable advance payment security. These securities shall be included in the bidding documents in a text and format acceptable to the Association. ECA Regional Sample Bidding Documents, modified as acceptable to the Association, shall be used.
(b)	Shopping
(c)	Direct Contracting

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 Based on Consultants' Qualification
(c) Procedures set forth in paragraphs 5.2 through 5.5 of the Consultant Guidelines for the Selection of Individual Consultants
(d) Single-source Selection

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 the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
(1) Works	1,483,020	100%
(2) Goods	1,076,460	100%
(3) Consultants' Services including Audits and Training	674,520	100%
(4) Unallocated	66,000	
TOTAL AMOUNT	<u>3,300,000</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; and

(b) for expenditures incurred in respect of a Sub-project by a Participating Utility or a Participating Municipality until the relevant Participating Utility or Participating Municipality has concluded a Subsidiary Financing Agreement with the relevant Project Implementing Entity, satisfactory to the Association.

2. The Closing Date is December 15, 2010.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each April 15 and October 15, commencing October 15, 2017 to and including April 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. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
4. “Environmental Management Plan(s)” means, one (or all) of the four environmental management plans, satisfactory to the Association, prepared and adopted by the Recipient pursuant to Part E of Section I of Schedule 2 to this Agreement, setting forth the environmental mitigation and monitoring plans, implementation schedules, and institutional arrangements to be taken during the implementation and operation of the Sub-projects in order to avoid or reduce adverse environmental impacts, and the actions needed to implement these measures.
5. “Environmental Management Plan Framework” means the environmental management plan framework, entitled “Environmental Screening and Evaluation Procedures”, satisfactory to the Association, prepared and adopted by the Recipient on April 20, 2007, setting forth the environmental mitigation, monitoring and institutional measures to be taken during the implementation and operation of the Project to avoid or reduce adverse environmental impacts, and the actions needed to implement these measures.
6. “Federation” means the Federation of Bosnia and Herzegovina, a constitutive part of the Recipient, and includes any successor or successors thereto, which is also the Project Implementing Entity.
7. “Federation MOA” means the Ministry of Agriculture, Water Management and Forestry of the Federation, and includes any successor thereto.
8. “Federation MOE” means the Ministry of Urban Planning and Environment of the Federation, and includes any successor thereto.
9. “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.

10. "Federation Subsidiary Credit Agreement" means the agreement to be entered into between the Recipient and the Federation pursuant to Part B.1 of Section I of Schedule 2 to this Agreement pursuant to which the Recipient makes available to the Federation a part of the proceeds of the Credit for the carrying out of the Project, as the same agreement may be amended from time to time with the prior approval of the Association, and such term includes all schedules and agreements supplemental to the Federation Subsidiary Credit Agreement.
11. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 1, 2005 (as amended through October 15, 2006).
12. "Group Utilities" means, collectively, the Utilities in Stolac, Srebrenica and Vares, including any change in such Utilities participating in the Project that may be made by agreement from time to time between the Recipient and the Association, and "Group Utility" means any of them.
13. "Konvertible Marka" or "KM" means the lawful currency of the Recipient.
14. "Operational Manual" means the manual, including the Project Implementation Plan, the Financial Management Manual, and the Environmental Management Plan Framework, satisfactory to the Association, adopted by Recipient, the Federation and Republika Srpska, respectively, and setting out the operational and administrative procedures for the implementation of the Project, including the selection, approval, processing, financing, implementation, monitoring, evaluation and supervision of Sub-projects, as the same may be amended from time to time by agreement between the Association and the Recipient.
15. "Original Financing Agreement" means the development credit agreement for an Urban Infrastructure and Service Delivery Project between the Recipient and the Association, dated November 3, 2004 (Credit No 3954 BOS).
16. "Original Project" means the Project described in the Original Financing Agreement.
17. "PITs" means the Project Implementation Teams established within the Participating Utilities and the Participating Municipalities, as the case may be, comprised of a qualified procurement officer and a financial officer, and such other qualified personnel as may be necessary for Project purposes, employed under terms of reference satisfactory to the Association if the salary of any such person will be financed under the Project, and which PITs will be responsible for the day-to-day implementation and administration of the Sub-projects (as

hereafter defined), and “PIT” means any of them, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time.

18. “PMT” means the Project Management Team established within the Ministry of Foreign Trade and Economic Relations of the Recipient, comprised of a qualified PMT Head satisfactory to the Association, as well as a qualified procurement manager, procurement officer, financial manager and assistant, and such other qualified personnel as may be necessary for Project purposes, including, without limitation, a specialist consultant on urban management, as well as a specialist on water supply and sanitation, all of whose services will be retained for the entire implementation of the Project, and which the PMT will be responsible for the overall coordination, management and implementation of the Project, including responsibility for financial management actions, and the clearance, management and supervision of Project procurement activities, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time.
19. “Participating Federation Utility” means a Utility (as hereafter defined) operating in the Federation which is to participate in the carrying out of the Project pursuant to a Subsidiary Financing Agreement between the Federation and such Utility under Part C of Section I of Schedule to the Federation Project Agreement, including any change in such Utilities participating in the Project that may be agreed from time to time among the Recipient, the Association and the Federation
20. “Participating Municipality” means a municipality in the Federation which is to participate in the carrying out of the Project pursuant to a Subsidiary Financing Agreement between the Federation and such municipality under Part C of Section I of Schedule to the Federation Project Agreement, including any change in such municipalities participating in the Project that may be made by agreement from time to time among the Recipient, the Association and the Federation.
21. “Participating RS Utility” means a Utility operating in RS which is to participate in the carrying out of the Project pursuant to a Subsidiary Financing Agreement between RS and such Utility under Part C of Section I of Schedule to the RS Project Agreement, including any change in such a Utility participating in the Project that may be agreed from time to time among the Recipient, the Association and RS.
22. “Participating Utility” means a Participating Federation Utility or a Participating RS Utility, as the case may be, and “Participating Utilities” means, collectively, the Participating Federation Utilities and the Participating RS Utility.
23. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.

24. "Procurement Plan" means the Recipient's procurement plan for the Project, dated April 20, 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.
25. "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 the Federation Project Agreement and the RS Project Agreement, collectively.
26. "Republika Srpska" or "RS" means Republika Srpska, a constitutive part of the Recipient, and includes any successor or successors thereto, which is also a Project Implementing Entity.
27. "RS MOA" means the Ministry of Agriculture, Water Management and Forestry of Republika Srpska, and includes any successor thereto.
28. "RS MOE" means the Ministry of Urbanism, Civil Works, and Environment of Republika Srpska, and includes any successor thereto.
29. "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.
30. "RS Subsidiary Credit Agreement" means the agreement to be entered into between the Recipient and RS pursuant to Part B.1 of Section I of Schedule 2 to this Agreement pursuant to which the Recipient makes available to RS a part of the proceeds of the Credit for the carrying out of the Project, as the same agreement may be amended from time to time with the prior approval of the Association, and such term includes all schedules and agreements supplemental to the RS Subsidiary Credit Agreement.
31. "Sub-project" means for: (i) an Urban Management Subsidiary Financing (as hereafter defined), a project to facilitate the implementation of urban management development plan and to facilitate investments for infrastructure development, and to be carried out by a Participating Municipality in Mostar under Part B of the Project; and (ii) a Water Supply and Sanitation Efficiency Subsidiary Financing (as hereafter defined), a least-cost, priority water supply or sanitation project based upon system improvement, lowering energy requirements, and related investments, and to be carried out by a Group Utility, under Part C of the Project.

32. “Subsidiary Credit” means a credit provided by the Recipient to each Project Implementing Entity under a Subsidiary Credit Agreement (as hereafter defined) from the proceeds of the Credit.
33. “Subsidiary Credit Agreements” means, collectively, the Federation Subsidiary Credit Agreement and the RS Subsidiary Credit Agreement.
34. “Subsidiary Financing” means a loan provided or to be provided by a Project Implementing Entity to a Participating Utility or a Participating Municipality, as the case may be, under a Subsidiary Financing Agreement (as hereafter defined) from the proceeds of the Credit provided to such Project Implementing Entity under a Subsidiary Credit Agreement.
35. “Subsidiary Financing Agreement” means the agreement to be entered into:
- (i) in the case of the Federation, between the Federation and a Participating Utility; and
 - (ii) in the case of Republika Srpska, between Republika Srpska and a Participating Utility;

in each case pursuant to Part D.1 of Section I of Schedule 2 to this Agreement and referred to in Part C of Section I of Schedule to the Project Agreements, as the same agreement may be amended from time to time with the prior approval of the Association, and such term includes all schedules and agreements supplemental to each Subsidiary Financing Agreement; and the term “Subsidiary Financing Agreements” means all said agreements collectively.

36. “Training” means training activities (other than consultants’ services) to be carried out under the Project, including the reasonable and necessary travel and visa expenses incurred by participants in training workshops and study tours, as well as lodging, subsistence, local and international per diem allowances, registration, tuition and facilitators’ fees, minor organizational expenses (including costs of stationery, handouts and training materials), and other expenditures directly relating to the training workshop and study tour activity, as may be agreed with the Association.
37. “Urban Management Subsidiary Financing” means a Subsidiary Financing made or proposed to be made to a Participating Municipality in Mostar, for a Sub-project, under Part B of the Project, out of the proceeds of a Subsidiary Credit.
38. “Utility” means a local body in either Project Implementing Entity that is responsible for the provision of water supply and sanitation within the relevant geographical area, and “Utilities” means more than one Utility.

39. “Water Supply and Sanitation Efficiency Subsidiary Financing” means a Subsidiary Financing made or proposed to be made to a Group Utility for a Sub-project, under Part C of the Project, out of the proceeds of a Subsidiary Credit.