Federation Project Agreement

(Neretva and Trebisnjica Management Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility

and

FEDERATION OF BOSNIA AND HERZEGOVINA

Dated September 9, 2008
GEF TRUST FUND GRANT NUMBER TF091969

PROJECT AGREEMENT


ARTICLE I — GENERAL 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 the Bosnia and Herzegovina GEF Agreement.

ARTICLE II — PROJECT

2.01 The Federation declares its commitment to the objectives of the Project. To this end, the Federation: (a) through its representatives on the ISCW, CC and TA, shall participate in coordinating activities under the Project between the Recipient and the Republic of Croatia, and for giving guidance on solving common problems for Parts 1.A (iii), 2.A (iii) and 2.C (i) of the Project in accordance with the MOU; and (b) through the Federation MAWMF, the Federation MET, the Agency for Watershed of the Adriatic Sea, as the case may be, and the Federation PIT, shall carry out Part 2 of the Project in accordance with the provisions of Article II of the Standard Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its respective part of the Project.

2.02 Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the World Bank and the Federation shall otherwise agree, the Federation shall carry out its respective part of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01 The Federation’s Representative is the Minister of Finance of the Federation of Bosnia and Herzegovina.
3.02. The World Bank’s Address is:

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

Cable: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391

3.03. The Federation’s Address is:

Federal Ministry of Finance
Mehmeda Spahe 5
71000 Sarajevo
Bosnia and Herzegovina

Facsimile: 387 33 203 152

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

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

By /s/ Andras Horvai
Authorized Representative

FEDERATION OF BOSNIA AND HERZEGOVINA

By /s/ Borjana Kristo
Authorized Representative
SCHEDULE

Execution of the Federation’s Respective Part of the Project

Section I. Institutional Arrangements

The Federation shall carry out its respective part of the Project in accordance with the following institutional arrangements:

1. The ISWC and the CC, with the technical guidance of TA, as necessary, shall be responsible for coordinating activities under the Project between the Recipient and the Republic of Croatia, and for giving guidance on solving common problems in a manner consistent with the provisions of the MOU.

2. The Federation, through the Federation MAWMF, the Federation MET and the Federation PIT, respectively, shall appoint and thereafter maintain at all times during the Project implementation, three (3) duly qualified representatives on the CC and representatives on the TA from time to time, as necessary, all with terms of reference and resources satisfactory to the World Bank, and shall cause the representatives to, at all times, participate in the performance of the obligations of the CC and TA under the Project in a timely and effective manner, and in accordance with the terms of the Operational Manual.

3. The Federation shall maintain the Federation 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.

4. The Federation MAWMF, the Federation MET and the Agency for Watershed of the Adriatic Sea, through the Federation PIT, shall have responsibility for implementation, procurement and financial management activities of Part 2 of the Project, and for purposes of Parts 2.A (iii) and 2.C (i) of the Project, shall be supported by the ISWC, the CC and TA, as necessary, in accordance with the MOU.

Section II. Implementation Covenants

1. The Federation, through the Federation MAWMF, the Federation MET, the Agency for Watershed of the Adriatic Sea and the Federation PIT shall:

   (a) duly perform their 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.
2. The Federation shall, through the Waste Water Utilities, not later than November 30 of each year, during the implementation of the Project, 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.

3. The Federation shall, through the Federation PIT: (a) duly perform its obligations under this Agreement and the Federation Subsidiary Grant Agreement, 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.

Section III. Subsidiary Agreement

1. To facilitate the carrying out and financing of Part 2 of the Project, the Federation shall enter into a subsidiary agreement with the Recipient pursuant to which the Recipient shall make part of the proceeds of the Grant available to 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 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 the Bosnia and Herzegovina GEF Agreement.

2. The Federation shall exercise its rights under the Federation Subsidiary 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 Federation shall not assign, amend, abrogate or waive the Federation Subsidiary Grant Agreement or any of its provisions.

Section IV. Sub-Projects

1. For purposes of Part 2.C(ii)(b) of the Project, the Federation shall 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 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 Federation shall 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 Federation shall 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 Federation shall exercise its 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 Federation shall not assign, amend, abrogate or waive any Small Grants Program Grant Agreement or any of its provisions.

Section V. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Federation, through the Federation PIT, shall provide to the MOFTER PMT the support required to monitor and evaluate the progress of its respective part 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 Federation, through the Federation PIT, shall provide to the MOFTER PMT the support required to:

(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 the said report and the World Bank’s views on the matter.

3. The Federation, through the Federation PIT, shall provide to the MOFTER PMT the support required to 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 and Audits

1. The Federation, through the Federation PIT, shall maintain a financial management system in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Federation, through the Federation PIT, shall 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 Federation, through the Federation PIT, shall 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 VI.  Procurement

All goods, works and services required for Federation’s respective part of the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Section III of Schedule 2 to the Bosnia and Herzegovina GEF Agreement.