Financing Agreement

(Energy Efficiency Project)

between

BOSNIA AND HERZEGOVINA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 29, 2014
FINANCING AGREEMENT

AGREEMENT dated October 29, 2014, entered into between BOSNIA and HERZEGOVINA (the “Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the “Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to twenty million eight hundred thousand Special Drawing Rights (SDR 20,800,000) (variously, “Credit” and “Financing”), out of which (a) eighteen million two hundred thousand Special Drawing Rights (SDR 18,200,000) will be extended under the terms and conditions set forth in this Agreement (“Portion A of the Credit” or Credit 5393-BA); and (b) two million six hundred thousand Special Drawing Rights (SDR 2,600,000) will be extended under the terms and conditions set forth in this Agreement (“Portion B of the Credit” or Credit 5538-BA), to assist in financing the project described in Schedule 1 to this Agreement (the “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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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. (a) The Interest Charge payable by the Recipient on the Withdrawn Credit Balance for Portion A of the Credit shall be equal to one and a quarter percent (1.25%) per annum.

(b) The Interest Charge payable by the Recipient on the Withdrawn Credit Balance for Portion B of the Credit shall be equal to one and four tenths percent (1.40%) per annum.

2.06. The Payment Dates are February 15 and August 15 in each year.

2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.08. The Payment Currency is Euros.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, the Federation Project Agreement, and the RS Project Agreement, respectively.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:

(a) The Legislation of the Federation of Bosnia and Herzegovina has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Federation to perform any of its obligations under the Federation Project Agreement.

(b) The Legislation of the Republika Srpska has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the RS to perform any of its obligations under the RS Project Agreement.

(c) The Federation or the RS shall have failed to perform any of its obligations under its respective Subsidiary Agreement.

(d) 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 the Federation or the RS shall be able to perform its obligations under its respective Subsidiary Agreement.

4.02. The Additional Event of Acceleration consists of the following: any event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

(a) a Project Agreement has been executed on behalf of the Association and an Entity on terms and conditions satisfactory to the Association;

(b) for the Entity that has met the condition contained in Section 5.01(a) above:

(i) a Subsidiary Agreement has been executed on behalf of the Recipient and the Entity, on terms and conditions satisfactory to the Association; and

(ii) the Entity has adopted a Project Operational Manual, satisfactory to the Association;

5.02. The Additional Legal Matter consists of the following:

(a) that the Project Agreement referred to in Section 5.01(a) above has been duly authorized or ratified by the Entity concerned and is legally binding upon said Entity in accordance with its terms; and

(b) that the Subsidiary Agreement referred to in Section 5.01(b)(i) above has been duly authorized or ratified by the Recipient and the Entity concerned and is legally binding upon the Recipient and said Entity in accordance with its terms.

5.03. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

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

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

6.02. The Recipient’s Address is:

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

Facsimile:
(387-33) 202-930

6.03. The Association’s Address is:

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

Cable: Telex: Facsimile:
INDEVAS 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: [Signature]
Authorized Representative
Name: NIKOLA SPIRIĆ
Title: MINISTER OF FINANCE AND TREASURY

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: [Signature]
Authorized Representative
Name: AMBROSE ABREU
Title: COUNTRY MANAGER
SCHEDULE 1

Project Description

The objective of the Project is to demonstrate the benefits of energy efficiency improvements in public sector buildings and support the development of scalable energy efficiency financing models.

The Project consists of the following parts:

**Part A  The Federation**

I. **Energy Efficiency Investments in Public Facilities**

   Supporting energy efficiency Sub-projects through the provision of works, goods, and consultants’ services.

II. **Support for the Development of Scalable Financing Mechanisms and Capacity Building**

   Supporting the development of scalable energy efficiency financing mechanisms, strengthening implementation capacity, and providing assistance to increase public awareness on energy efficiency, through the provision of goods, consultants’ services, and Training.

III. **Project Management Costs**

   Project management by the Federation PIU through the provision of Incremental Operating Costs, Training, and consultants’ services.

**Part B  The Republika Srpska**

I. **Energy Efficiency Investments in Public Facilities**

   Supporting energy efficiency Sub-projects through the provision of works, goods, and consultants’ services.
II. Support for the Development of Scalable Financing Mechanisms and Capacity Building

Supporting the development of scalable energy efficiency financing mechanisms, strengthening implementation capacity, and providing assistance to increase public awareness on energy efficiency, through the provision of goods, consultants’ services, and Training.

III. Project Management Costs

Project management by the RS PIU through the provision of Incremental Operating Costs, Training, and consultants’ services.
SCHEDULE 2
Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. (a) The Recipient shall cause the Federation, through the Federation MPP, to carry out Part A of the Project. The Federation MPP shall be responsible for the day-to-day implementation, including procurement and financial management of Part A of the Project; and

   (b) the Recipient shall cause the Federation to maintain the Federation PIU within the Federation MPP at all times during Project implementation, with terms of reference and resources satisfactory to the Association, and with competent staff in adequate numbers.

2. (a) The Recipient shall cause the RS, through the RS MSP, to carry out Part B of the Project. The RS MSP shall be responsible for the day-to-day implementation, including procurement and financial management of Part B of the Project; and

   (b) the Recipient shall cause the RS to maintain the RS PIU within the RS MSP at all times during Project implementation, with terms of reference and resources satisfactory to the Association, and with competent staff in adequate numbers.

3. (a) The Recipient shall ensure that the Federation and the RS do not amend or waive, or permit to be amended or waived, their respective OMs, or any provision thereof, except with the prior written approval of the Association;

   (b) the Recipient shall ensure that the Federation and the RS duly perform all obligations under their respective OMs in a timely manner and in accordance with the respective terms, and apply and implement, as the case may be, the actions, selection criteria for Sub-projects, policies, procedures and arrangements therein set forth; and

   (c) the Recipient shall ensure that the Federation and the RS implement Sub-projects in their respective territories in accordance with their respective OMs.
B. Subsidiary Agreements

1. To facilitate the carrying out of Part A of the Project, the Recipient shall make a portion of the proceeds of the Financing, as set forth in Section IV.A.2 of this Schedule, available to the Federation under a subsidiary agreement between the Recipient and the Federation (the "Federation Subsidiary Agreement") under terms and conditions approved by the Association. Except as the Association shall otherwise agree, such terms and conditions shall include the following:

(a) the Recipient shall make available to the Federation an amount in Euros equivalent to the amount of the Credit allocated as set forth in the table of Schedule 2, Section IV, paragraph A2 to this Agreement;

(b) the term of the Subsidiary Financing shall be twenty-five (25) years, including a five (5) year grace period;

(c) the Recipient shall charge the Federation a commitment charge at a rate equal to the rate payable under Section 2.03 of this Agreement, on the principal amount of the Subsidiary Financing not withdrawn from time to time;

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

(e) the principal amount of the Subsidiary Financing shall be repayable in Euros and shall be the equivalent in Special Drawing Rights (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; and

(f) the Recipient shall charge the Federation interest on the withdrawn Subsidiary Financing from Portion A of the Credit at a rate of one and a quarter percent (1.25%).

(g) the Recipient shall charge the Federation interest on the withdrawn Subsidiary Financing from Portion B of the Credit at a rate of one and four tenths percent (1.4%).

2. The Recipient shall exercise its rights under the Federation Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Federation Subsidiary Agreement or any of its provisions.
3. To facilitate the carrying out of Part B of the Project, the Recipient shall make a portion of the proceeds of the Financing, as set forth in Section IV.A.2 of this Schedule, available to the RS under a subsidiary agreement between the Recipient and the RS (the “RS Subsidiary Agreement”) under terms and conditions approved by the Association. Except as the Association shall otherwise agree, such terms and conditions shall include the following:

(a) the Recipient shall make available to RS an amount in Euros equivalent to the amount of the Credit as set forth in the table in Schedule 2, Section IV, paragraph A2 to this Agreement;

(b) the term of the Subsidiary Financing shall be twenty-five (25) years, including a five (5) year grace period;

(c) the Recipient shall charge RS a commitment charge at a rate equal to the rate payable under Section 2.03 of this Agreement, on the principal amount of the Subsidiary Financing not withdrawn from time to time;

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

(e) the principal amount of the Subsidiary Financing shall be repayable in Euros and shall be the equivalent in Special Drawing Rights (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; and

(f) the Recipient shall charge the RS interest on the withdrawn Subsidiary Financing from Portion A of the Credit at a rate of one and a quarter percent (1.25%).

(g) the Recipient shall charge the RS interest on the withdrawn Subsidiary Financing from Portion B of the Credit at a rate of one and four tenths percent (1.4%).

4. The Recipient shall exercise its rights under the RS Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the RS Subsidiary Agreement or any of its provisions.
C. Sub-projects

1. The Recipient shall cause the Federation and the RS to establish and maintain at all times during Project implementation the Federation PSC and the RS PSC respectively, with a composition, roles and responsibilities, and resources satisfactory to the Association. The Federation PSC and the RS PSC shall review and approve Sub-project selection in accordance with the eligibility criteria set forth in Section I.C.2 below.

2. The Recipient shall cause the Federation and the RS to ensure that the Sub-projects are selected in accordance with their respective OMs and eligibility criteria satisfactory to the Association. Such eligibility criteria shall include: (a) confirmation of public ownership of the target facilities or buildings; (b) structural soundness of said facilities or buildings as described in the OM; (c) absence of plans for closure, downsizing, or privatization; and (d) detached, single use buildings.

3. The Recipient shall ensure that the RS, through the RS MSP enters into a memorandum of understanding or other adequate arrangements, satisfactory to the Association, for each Sub-project with the project beneficiary detailing the technical implementation arrangements and roles of Sub-project stakeholders in the carrying out of the Sub-project. The Recipient shall ensure that the RS exercises its rights and carries out its obligations under said arrangements in such manner as to protect the interests of the RS, the Recipient, and the Association.

4. The Recipient shall ensure that: (a) the Federation, through the Federation MPP, enters into a memorandum of understanding or other adequate arrangements, satisfactory to the Association, for each Sub-project with the Participating Municipality or Canton and project beneficiary, detailing the technical implementation arrangements and roles of Sub-project stakeholders in the carrying out of the Sub-project; and (b) the Federation enters into a sub-agreement, satisfactory to the Association, for each Sub-project with the Participating Municipality or Canton, stipulating financial obligations of the Participating Municipality or Canton. The Recipient shall ensure that the Federation exercises its rights and carries out its obligations under said arrangements in such manner as to protect the interests of the Federation, the Recipient, and the Association.

D. Anti-Corruption

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

1. The Recipient shall cause the Federation and the RS:

   (a) to carry out the Project in accordance with the Environmental Management Framework (the “EMF”);

   (b) prior to carrying out any activities or Sub-projects, to prepare site-specific Environmental Management Plan(s) (“EMP(s)”) in accordance with the EMF, in form and substance satisfactory to the Association, and to implement said activities or Sub-projects in accordance with the respective EMPs;

   (c) to ensure that no Project activities and no Sub-projects under Parts A.I. and B.I. of the Project involve Resettlement;

   (d) to ensure that any guidelines, reviews and plans to be supported under the Project are carried out under terms of reference satisfactory to the Association and are consistent with, and pay due attention to, international environmental standards and practices, as well as the Recipient’s, the Federation’s, and the RS’s own laws, as the case may be, relating to the environmental and social aspects of the Project.

Section II. **Project Monitoring, Reporting and Evaluation**

A. **Project Reports**

The Recipient shall cause the Federation and the RS to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. **Financial Management, Financial Reports and Audits**

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

2. Without limitation on the provisions of Part A of this Section, the Recipient shall cause the Federation and the Republika Srpska to prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering 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 fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

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

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

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

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

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

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plans:

   (a) National Competitive Bidding, subject to the additional provisions set forth in the attached Annex to this Schedule 2;

   (b) Shopping; and

   (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 methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plans:

(a) Selection under a Fixed Budget;
(b) Least Cost Selection;
(c) Selection based on Consultants' Qualifications;
(d) Individual Consultants, including Single Source Selection;
(e) Single Source Selection for Consulting Firms; and
(f) Quality Based Selection.

D. Review by the Association of Procurement Decisions

The Procurement Plans 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 Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of Portion A of the Credit Allocated (Credit 5393-BA) (expressed in SDR)</th>
<th>Amount of Portion B of the Credit Allocated (Credit xxxx-BA) (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, and consultants’ services, Training, and Incremental Operating Costs for Part A of the Project</td>
<td>10,920,000</td>
<td>1,560,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services, and consultants’ services, Training, and Incremental Operating Costs for Part B of the Project</td>
<td>7,280,000</td>
<td>1,040,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>18,200,000</strong></td>
<td><strong>2,600,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed nine hundred seventy five thousand Special Drawing Rights (SDR 975,000) may be made for payments made prior to this date but on or after January 1, 2014.

   (b) under Category 1 unless:

      (i) the Federation Project Agreement between the Association and the Federation has been executed, on terms and conditions satisfactory to the Association;

      (ii) the Federation Subsidiary Agreement has been executed on behalf of the Recipient and the Federation, on terms and conditions satisfactory to the Association;
(iii) the Federation PIU has installed an appropriate financial management software satisfactory to the Association;

(iv) opinions have been furnished to the Association on behalf of the Recipient and the Federation stating that such Project Agreement and Subsidiary Agreement have been duly authorized or ratified by the parties thereto and are legally binding upon them in accordance with their respective terms;

(c) under Category 2 unless:

(i) the RS Project Agreement between the Association and the Republika Srpska has been executed, on terms and conditions satisfactory to the Association;

(ii) the RS Subsidiary Agreement has been executed on behalf of the Recipient and the Republika Srpska, on terms and conditions satisfactory to the Association; and

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

2. The Closing Date is June 30, 2018.
ANNEX TO SCHEDULE 2

Additional Provisions for National Competitive Bidding

For the purposes of following National Competitive Bidding procedures in the procurement of goods, works and non-consulting services to be financed under the Credit, the following modifications and additions shall apply:

(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 and technical and financial requirements shall be explicitly stated in the pre-qualification documents.

(4) Participation by Government-owned enterprises

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

(5) Bidding Documents

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

(6) Bid Opening and Bid Evaluation

(a) bids shall be opened in public, immediately after the deadline for submission of bids;

(b) evaluation of bids shall be made in strict adherence to the monetarily quantifiable criteria declared in the bidding documents; and

(c) contracts shall be awarded to the qualified bidder having submitted the lowest-evaluated, substantially responsive bid and no negotiation shall take place.

(7) Price Adjustment

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

(8) Rejection of Bids

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

(9) Securities

(a) bid security and performance security should follow the generally accepted practice used in the local market;

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

(10) Right to inspect and audit

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

(11) Fraud and Corruption

The Association shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, a contract financed by the World Bank Group.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 15 and August 15:</td>
<td></td>
</tr>
<tr>
<td>Commencing on August 15, 2019 to and including February 15, 2029</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing August 15, 2029 to and including February 15, 2039</td>
<td>3.35%</td>
</tr>
</tbody>
</table>

* 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


2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


4. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010 with the modifications set forth in Section II of this Appendix.

5. “Entity” means the Federation of Bosnia and Herzegovina and the Republika Srpska (as these are hereafter defined), as the case may be, and “Entities” refers to the Federation and the RS collectively.

6. “Environmental Management Framework” or “EMF” means the Environmental Management Framework adopted by the Federation on September 19, 2013 and the RS on October 24, 2013, disclosed in the World Bank’s InfoShop on November 6, 2013, and referred to in Schedule 2, Section I of this Agreement, and satisfactory to the Association, describing the rules, guidelines and procedures to assess environmental impacts of the Project’s activities and defining measures to reduce, mitigate or offset adverse environmental impacts and enhance the positive impacts of the Project’s activities, as the same shall be amended from time to time with the prior approval of the Association.

7. “Environmental Management Plan(s)” or “EMP” means a site-specific Environmental Management Plan comprised of environmental mitigation plan and environmental monitoring plan to be prepared and adopted by the Federation and/or the RS pursuant to the EMF and in conformity with the provisions of the Project Operations Manual, and to be implemented by the Federation and/or the RS in accordance with the provisions of Schedule 2, Section I of this Agreement, satisfactory to the Association, wherein are set forth specific details of measures to manage identified or potential environmental risks and to mitigate, reduce and/or offset adverse environmental impacts associated with the implementation of activities under the Project, together with an environmental and social baseline for each site, details of the relevant environmental legislative framework,
adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms, as the same may be amended and supplemented from time to time with the Association's prior written approval.

8. "Federation" means the Federation of Bosnia and Herzegovina, a constitutive part of the Recipient, and includes any successor thereto.


10. "Federation Project Agreement" means the agreement between the Association and the Federation for this Project, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Federation Project Agreement.

11. "Federation PIU" means the project implementation unit established by the Federation MPP pursuant to the conclusion of the government of the Federation dated May 23, 2013, to carry out Part A of the Project.

12. "Federation Project Steering Committee" means the Project Steering Committee established by the Federation's government, with roles, responsibilities and composition satisfactory to the Association, and comprising of the relevant ministries and agencies of the Federation.

13. "Federation Subsidiary Agreement" means the agreement to be entered into between the Recipient and the Federation, referred to in Schedule 2, Section I of this Agreement, as the same may be amended from time to time.

14. "Incremental Operating Costs" means reasonable incremental expenses incurred on account of Project implementation, management and monitoring, including audit, office supplies, publication of procurement notices, vehicle operation, office and equipment maintenance and repair, communication, translation and interpretation, travel and supervision costs, and other miscellaneous costs directly associated with Project, but excluding salaries of officials and employees of the Recipient, the Federation of Bosnia and Herzegovina, and the Republika Srpska.

15. "Legislation of the Federation of Bosnia and Herzegovina" means the legislation establishing and governing the Federation.

16. "Legislation of the Republika Srpska" means the legislation establishing and governing the Republika Srpska.

17. "Operations Manual(s)" or "OM(s)" to be adopted by the Federation on and the RS with respect to their Parts of the Project, satisfactory to the Association, describing and setting forth procedures for implementation of the Project and
institutional arrangements, consistent with the provisions of this Agreement and with applicable laws and regulations and including, *inter alia*, timetables of actions required to be carried out under the Project, the respective roles and responsibilities of the agencies involved in the implementation of the Project, staffing, the fiduciary, technical and operational aspects and procedures for implementation of the Project, including the financial management procedures (budgeting, accounting and internal control, disbursement and flow of funds, financial reporting, annual reports, internal and external audit arrangements procedures and including the Project specific chart of accounts), procurement procedures, monitoring and evaluation arrangements, and other fiduciary and administrative arrangements and necessary terms of reference, as the same may be amended from time to time by agreement with the Association.

18. “Participating Municipality or Canton” is a municipality or Canton located in the Federation and selected in accordance with the OM of the Federation for the purposes of providing technical supervision for specific Sub-projects.

19. “Portion A of the Credit” means the portion of the Credit referred to in Article 2.01(a) of this Agreement.

20. “Portion B of the Credit” means the portion of the Credit referred to in Article 2.01(b) of this Agreement.


22. “Procurement Plans” means the Procurement Plans for Part A and Part B of the Project, dated January 24, 2014, and December 9, 2013, respectively, referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

23. “Republika Srpska” or “RS” means Republika Srpska, a constitutive part of the Recipient, or any successor thereto.

24. “Resettlement” means an act of involuntary taking of land under the Project, which causes affected persons to have their: (a) standard of living adversely affected; or (b) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (c) access to productive assets adversely affected, temporarily or permanently; or (d) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently.
25. "RS MSP" means the Republika Srpska's Ministry of Spatial Planning, Civil Engineering and Ecology, or any successor thereto.

26. "RS Project Agreement" means the agreement between the Association and the Republika Srpska for this Project, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the RS Project Agreement.

27. "RS PIU" means the project implementation unit established by the RS’ government within the RS MSP to carry out Part B of the Project.

28. "RS Project Steering Committee" means the Project Steering Committee established by the RS's government, with roles, responsibilities and composition satisfactory to the Association and comprising of the relevant ministries and agencies of RS.

29. "RS Subsidiary Agreement" means the agreement to be entered into between the Recipient and the Republika Srpska, referred to in Schedule 2, Section I of this Agreement, as the same may be amended from time to time.

30. "Sub-projects" means energy efficiency investments financed under Parts A.I. and B.I. of the Project and to be selected in accordance with the eligibility criteria set forth in the OMs and satisfactory to the Association.

31. "Subsidiary Financing" means the financing to be made out of the proceeds of the Financing provided to each Entity under the terms of a Subsidiary Agreement.

32. "Training" means all expenditures related to training activities under the Project such as training workshops, seminars, study tours and local training and including fees, travel costs and per-diem allowances for the trainers and trainees, cost of training materials, space and equipment rental, and other related expenditures approved by the Association.
Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Section 3.02 is modified to read as follows:

   "Section 3.02. Service Charge and Interest Charge

   (a) Service Charge. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

   (b) Interest Charge. The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months."

2. Paragraph 16 of the Appendix ("Credit Account") is modified to read as follows:

   ""Credit Account" means the accounts opened by the Association in its books in the name of the Recipient to each of which the amounts of the portions of the Credit specified in the Financing Agreement are respectively credited."

3. Paragraph 28 of the Appendix ("Financing Payment") is modified by inserting the words "the Interest Charge" between the words "the Service Charge" and "the Commitment Charge".

4. The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the remaining paragraphs accordingly:

   "32. "Interest Charge" means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b)."

5. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by inserting the words "Interest Charges" between the words "Service Charges" and "Commitment Charges".

6. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service
Charge”) is modified by replacing the reference to Section 3.02 with Section 3.02 (a).