Financing Agreement

(Avian Influenza Preparedness Project)

between

BOSNIA AND HERZEGOVINA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 31, 2007
FINANCING AGREEMENT

AGREEMENT dated August 31, 2007, between BOSNIA and HERZEGOVINA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

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

1.02. Unless the context requires otherwise, the capitalized terms used in the Financing 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) ("Credit") 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 VI of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are June 15 and December 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with 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, which is part of the Association’s Global Program for Avian Influenza Control and Human Pandemic Preparedness and Response, designed to help countries in prevention, containment, control and eradication of avian influenza. To this end, the Recipient shall carry out the Project, through the TSG:

(a) with the support of the Federation PIU for purposes of Part 2 of the Project; and

(b) with the support of the RS PCU for purposes of Part 3 of the Project

in each case in accordance with the provisions of Article IV of the General Conditions.

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

ARTICLE IV - REMEDIES OF THE ASSOCIATION

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

(a) either Entity shall have failed to perform any of its obligations under its respective Project Agreement or Subsidiary Agreement; and

(b) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that either Entity shall be able to perform its obligations under its respective Project Agreement or Subsidiary Agreement.

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

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

ARTICLE V - EFFECTIVENESS; TERMINATION

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

(a) establishment by the Recipient of the TSG in a manner and with the composition and terms of reference satisfactory to the Association;

(b) the Annual Work Program for the first year of the implementation of the Project, satisfactory to the Association, has been prepared and adopted by the Recipient and each Entity; and
(c) the Project Operational Manual, the EMP, and the FM Manuals, all satisfactory to the Association, have been adopted by the Recipient and each Entity; and

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

(e) for the Entity referred to in paragraph (d) of this Section 5.01, a Subsidiary Agreement has been executed on behalf of the Recipient and the Entity concerned, on terms and conditions satisfactory to the Association.

5.02. The Additional Legal Matters consist of the following:

(a) the Project Agreement referred to in paragraph (d) of Section 5.01 of this Agreement has been duly authorized or ratified by the Entity concerned and is legally binding on said Entity in accordance with its terms; and

(b) the Subsidiary Agreement referred to in paragraph (d) of Section 5.01 of this Agreement 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 ninety (90) days after the date of this Agreement.

ARTICLE VI - REPRESENTATIVE; ADDRESSES

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

6.02. The Recipient’s Address is:

    Trg BiH 1
    71000 Sarajevo
    Bosnia and Herzegovina

    Facsimile: (387-33) 202-930

6.03. The Association’s Address is:

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

    Cable address: Telex: Facsimile:
    INDEVAS 248423 (MCI) or (202) 477-6391
    Washington, D.C. 64145 (MCI)
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
The objective of the Project is to minimize the threat posed to humans and the poultry industry by Highly Pathogenic Avian Influenza infection and other zoonoses, by enhancing animal and human health infectious disease response and control capacities.

The Project is part of the Association’s Global Program for Avian Influenza Control and Human Pandemic Preparedness and Response and consists of the following parts:

Part 1: Bosnia and Herzegovina

A. Strategic Communications and Public Information

Further development and implementation of a national communication strategy to raise awareness, knowledge and understanding among stakeholders and the general population regarding the risk and potential impact of Highly Pathogenic Avian Influenza, through the provision of technical assistance, training and goods.

B. Animal Health Protection, and Disease Prevention and Control Component

Development and strengthening of the policy, legal, regulatory and institutional framework for HPAI detection, control, prevention, containment and eradication in the livestock sector to: (a) strengthen national preparedness and prevention capacity; (b) strengthen veterinary services, diagnostic capacity, applied research and disease surveillance; (c) strengthen control and outbreak containment plans and capacity; and (d) improve bio-security in poultry production and trade, through the provision of technical assistance, training, goods and civil works.

C. Human Health Protection, and Disease Prevention and Control Component

Support for a program to further plan and implement public health preparedness, surveillance and prevention through: (a) the enhancement of public health program planning and coordination; (b) strengthening public health surveillance systems; and (c) strengthening health system response capacity, through the provision of technical assistance, training, goods and civil works.

D. Implementation Support and Monitoring and Evaluation

Support of Project implementation, management, coordination, and monitoring and evaluation by the TSG, through the financing of Operating Costs, technical assistance and training.
Part 2: The Federation

A. Strategic Communications and Public Information

Further development and implementation of a national communication strategy to raise awareness, knowledge and understanding among stakeholders and the general population regarding the risk and potential impact of Highly Pathogenic Avian Influenza, through the provision of technical assistance, training and goods.

B. Animal Health Protection, and Disease Prevention and Control Component

Development and strengthening of the policy, legal, regulatory and institutional framework for HPAI detection, control, prevention, containment and eradication in the livestock sector to: (a) strengthen national preparedness and prevention capacity; (b) strengthen veterinary services, diagnostic capacity, applied research and disease surveillance; (c) strengthen control and outbreak containment plans and capacity; and (d) improve bio-security in poultry production and trade, through the provision of technical assistance, training, goods and civil works.

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Support for a program to further plan and implement public health preparedness, surveillance and prevention through: (a) the enhancement of public health program planning and coordination; (b) strengthening public health surveillance systems; and (c) strengthening health system response capacity, through the provision of technical assistance, training, goods and civil works.

D. Poultry Culling Compensation Scheme

Support for the operation of a national Poultry Culling Compensation Scheme providing cash compensation to poultry owners for poultry culled by Governmental order, through the financing of Poultry Culling Compensation Funding.

E. Implementation Support and Monitoring and Evaluation

Support of Project implementation, management, coordination, and monitoring and evaluation by the TSG and the Federation PIU, through the financing of operating costs, technical assistance and training.

Part 3: Republika Srpska

A. Strategic Communications and Public Information

Further development and implementation of a national communication strategy to raise awareness, knowledge and understanding among stakeholders and the general
population regarding the risk and potential impact of Highly Pathogenic Avian Influenza, through the provision of technical assistance, training and goods.

B. **Animal Health Protection, and Disease Prevention and Control Component**

Development and strengthening of the policy, legal, regulatory and institutional framework for HPAI detection, control, prevention, containment and eradication in the livestock sector to: (a) strengthen national preparedness and prevention capacity; (b) strengthen veterinary services, diagnostic capacity, applied research and disease surveillance; (c) strengthen control and outbreak containment plans and capacity; and (d) improve bio-security in poultry production and trade, through the provision of technical assistance, training, goods and civil works.

C. **Human Health Protection, and Disease Prevention and Control Component**

Support for a program to further plan and implement public health preparedness, surveillance and prevention through: (a) the enhancement of public health program planning and coordination; (b) strengthening the national public health surveillance systems; and (c) strengthening health system response capacity, through the provision of technical assistance, training, goods and civil works.

D. **Poultry Culling Compensation Scheme**

Support for the operation of a national Poultry Culling Compensation Scheme providing cash compensation to poultry owners for poultry culled by Governmental order, through the financing of Poultry Culling Compensation Funding.

E. **Implementation Support and Monitoring and Evaluation**

Support of Project implementation, management, coordination, and monitoring and evaluation by the TSG and the RS PCU, through the financing of operating costs, technical assistance and training.
SCHEDULE 2

Project Execution

Section I. Institutional Arrangements

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

1. The Technical Support Group (TSG) shall have overall responsibility for Project implementation, and for the purposes of Part 2 of the Project shall be supported by the Federation PIU and for the purposes of Part 3 of the Project shall be supported by the RS PCU. The TSG shall comprise the following staff, whose qualifications and terms of reference shall be satisfactory to the Association: (i) a Project Coordinator, who shall be a permanent civil servant within SVO and who shall report to the Minister of Foreign Trade and Economic Relations of the Recipient; (ii) one representative of MCA; (iii) one representative of Federation MOA; (iv) one representative of Federation MOH; (v) one representative of RS MOA; (vi) one representative of RS MOH; (vii) a communications specialist; and (viii) a monitoring and evaluation specialist.

2. The Federation PIU and the RS PCU shall be responsible for procurement and financial management activities under Part 2 and Part 3, respectively, of the Project. The Recipient shall ensure that procurement and financial management activities for the Project shall be carried out by the Federation PIU and the RS PCU, respectively, under terms of reference satisfactory to the Association, including, without limitation, the FM Manual and the Poultry Culling Compensation Scheme Manual.

3. The Recipient shall maintain the TSG and the SVO, including the Project Manager, throughout the implementation of the Project under terms of reference satisfactory to the Association and with sufficient and suitable human, financial and technical resources.

4. The Recipient shall cause the Entities, through the Federation MOA and through the RS MOH, respectively, to maintain at all times during Project implementation, the Federation PIU and the RS PCU, respectively, with terms of reference and resources satisfactory to the Association, and with competent staff in adequate numbers. The Recipient shall also cause the Entities, through the Federation MOA, the Federation MOH, the RS MOA and the RS MOH, as the case may be, to appoint and thereafter maintain at all times during Project implementation a duly qualified representative on the TSG, with terms of reference and resources satisfactory to the Association.

Section II. Implementation Covenants

1. The Recipient, through the TSG, shall implement the Project in accordance with the Environmental Management Plan, the Project Operational Manual, the FM Manuals
and the Poultry Culling Compensation Scheme Manual, respectively. The Recipient: (i) shall maintain the Environmental Management Plan, the Project Operational Manual, the FM Manuals and the Poultry Culling Compensation Scheme Manual each in form and content acceptable to the Association; (ii) shall duly perform all its obligations under the Environmental Management Plan, the Project Operational Manual, the FM Manuals and the Poultry Culling Compensation Scheme Manual in a timely manner and in accordance with their respective terms, and apply and implement, as the case may be, the criteria, policies, procedures and arrangements therein respectively set forth; and (iii) shall not assign, amend, abrogate or waive the Environmental Management Plan, the Project Operational Manual, either of the FM Manuals or the Poultry Culling Compensation Scheme Manual or any provision of any one thereof, without obtaining the prior written approval of the Association.

2. The Recipient shall cause the Entities, through the Federation MOA, the Federation MOH, the Federation PIU, the RS MOA, the RS MOH and the RS PCU, as the case may be:

(i) to take all measures necessary to perform their respective obligations under the Environmental Management Plan, the Project Operational Manual, the respective FM Manuals and the Poultry Culling Compensation Scheme Manual in a timely manner and in accordance with their respective terms, and apply and implement, as the case may be, the criteria, policies, procedures and arrangements therein respectively set forth; and

(ii) to not amend or waive, or permit to be amended or waived the Project Operational Manual, the Environmental Management Plan, the respective FM Manuals or the Poultry Culling Compensation Scheme Manual or any provision of any one thereof, except with the prior written approval of the Association.

3. The Recipient, through the TSG, shall, not later than October 31 of each year, during the implementation of the Project, starting October 31, 2007, submit to the Association an Annual Work Program for the following calendar year, and shall agree with the Association on activities to be taken under the Project in the following calendar year and the related budget.

4. The Recipient shall ensure that the Federation and the Republika Srpska, for the purposes of making available their counterpart contribution to the financing of the Project, shall each: (i) open and maintain during the implementation of the Project, an account (the Project Account) in the Federation MOF and RS MOF, respectively; and (ii) make quarterly contributions to the Project Account, in an amount equivalent to fifteen thousand Special Drawing Rights (SDR 15,000) and ten thousand Special Drawing Rights (SDR 10,000) respectively, starting three (3) months after the date of the initial
contribution of each Entity referred to in paragraphs (1)(c) and (1)(d) of Section VLB of Schedule 2 to this Agreement, respectively.

5. The Recipient shall make available a counterpart contribution in an amount equivalent to three hundred ninety thousand dollars ($390,000) for the financing of Part 1 of the Project.

Section III. Subsidiary Agreements

1. To facilitate the carrying out of Part 2 of the Project, the Recipient shall make part of the proceeds of the Credit available to the Federation under a subsidiary agreement between the Recipient and the Federation ("Federation Subsidiary Agreement"), under terms and conditions approved by the Association, which shall include the following:

   (i) the Recipient shall relend to the Federation an amount in various currencies equivalent to one million nine hundred thousand Special Drawing Rights (SDR 1,900,000), being the amount of the Credit allocated from time to time to Categories (1) and (2) set forth in the table in paragraph 2 of Part A of Section VI of Schedule 2 to this Agreement;

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

   (iii) 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;

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

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

2. To facilitate the carrying out of Part 3 of the Project, the Recipient shall make part of the proceeds of the Credit available to the Republika Srpska under a subsidiary agreement between the Recipient and the RS ("RS Subsidiary Agreement"), under terms and conditions approved by the Association, which shall include the following:
(i) the Recipient shall lend to the RS an amount in various currencies equivalent to one million four hundred thousand Special Drawing Rights (SDR 1,400,000), being the amount of the Credit allocated from time to time to Categories (3) and (4) set forth in the table in paragraph 2 of Part A of Section VI of Schedule 2 to this Agreement;

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

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

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

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

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

Section IV. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. (a) The Recipient, through the TSG, shall monitor and evaluate the progress of the Project and, with such support as may be required from the Federation PIU and the RS PCU, respectively, prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than twenty one (21) days after the end of the period covered by such report.

   (b) The Recipient, through the TSG, and with such support as may be required from the Federation PIU and the RS PCU, respectively, shall:
(i) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about May 30, 2009, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the respective Entity’s part of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the respective Entity’s part of the Project and the achievement of the objectives thereof during the period following such date; and

(ii) review with the Association, by June 30, 2009, or such later date as the Association shall request, the report referred to in sub-paragraph (b)(i) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association’s views on the matter.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain and cause the Entities, through the Federation PIU and the RS PCU, respectively, to maintain a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section IV, the Recipient shall cause each of the Entities, through the Federation PIU and the RS PCU, respectively, to prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim un-audited financial reports for Part 2 and Part 3, respectively, of the Project covering such 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 or such other period as agreed by the Association. 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 V. Procurement

A. General

1. Goods, Works and Services (other than Consultants’ Services). All goods, works and services (other than Consultants’ Services) required for the Project and to be
financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.

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 Schedule.

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, works and services (other than consultants’ services) 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, works and services (other than consultants’ services). The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding, subject to the following additional provisions:</td>
</tr>
<tr>
<td>(1) Registration</td>
</tr>
<tr>
<td>(i) bidding shall not be restricted to pre-registered firms;</td>
</tr>
<tr>
<td>(ii) where registration is required, bidders: (1) shall be allowed a reasonable time to complete the registration process; and (2) shall not be denied registration for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification; and</td>
</tr>
<tr>
<td>(iii) foreign bidders shall not be precluded from bidding. If a registration process is required, a foreign bidder declared the lowest evaluated bidder shall be given a reasonable opportunity to register.</td>
</tr>
</tbody>
</table>
**Procurement Method**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>(2)</td>
<td>Advertising</td>
</tr>
<tr>
<td>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.</td>
<td></td>
</tr>
<tr>
<td>(3)</td>
<td>Pre-qualification</td>
</tr>
<tr>
<td>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.</td>
<td></td>
</tr>
<tr>
<td>(4)</td>
<td>Participation by Government-owned enterprises</td>
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<tr>
<td>Government-owned enterprises in Bosnia and Herzegovina, including those in the Federation and Republika Srpska, shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the contracting authority. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.</td>
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<tr>
<td>(5)</td>
<td>Bidding Documents</td>
</tr>
<tr>
<td>Procuring entities shall use the appropriate standard bidding documents for the procurement of goods, works or services, acceptable to the Association.</td>
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<tr>
<td>(6)</td>
<td>Bid Opening and Bid Evaluation</td>
</tr>
<tr>
<td>(i)</td>
<td>bids shall be opened in public, immediately after the deadline for submission of bids;</td>
</tr>
<tr>
<td>(ii)</td>
<td>evaluation of bids shall be made in strict adherence to the monetarily quantifiable criteria declared in the bidding documents; and</td>
</tr>
<tr>
<td>(iii)</td>
<td>contracts shall be awarded to the qualified bidder having submitted the lowest-evaluated, substantially responsive bid and no negotiation shall take place.</td>
</tr>
</tbody>
</table>
Civil works contracts of long duration (more than 18 months) shall contain an appropriate price adjustment clause.

(8) Rejection of Bids

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

(ii) When the number of bids received is less than three, rebidding shall not be carried out without the Association’s prior concurrence.

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.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Consultants’ Qualifications Selection</td>
</tr>
<tr>
<td>(b) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(c) Least Cost Selection</td>
</tr>
<tr>
<td>(d) Single-Source Selection</td>
</tr>
</tbody>
</table>
D. **Review by the Bank 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 VI. Withdrawal of the Proceeds of the Financing**

A. **General**

1. The Recipient may withdraw the proceeds of the Credit in accordance with the provisions of Article II of the General Conditions and of this Section and such additional instructions as the Bank may specify by notice to the Recipient, 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 Credit (“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 the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Part 2 of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Goods, Works, Consultants’ Services, Operating Costs and Training for Parts 2.A, 2.B, 2.C, and 2E. of the Project</td>
<td>1,700,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Poultry Culling Compensation Funding under Part 2.D of the Project</td>
<td>200,000</td>
<td>100%</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Credit Allocated (expressed in SDR)</td>
<td>Percentage of Expenditures to be Financed</td>
</tr>
<tr>
<td>----------</td>
<td>--------------------------------------------------</td>
<td>------------------------------------------</td>
</tr>
<tr>
<td>B. Part 3 of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4) Poultry Culling Compensation Funding under Part 3.D of the Project</td>
<td>200,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td>3,300,000</td>
<td></td>
</tr>
</tbody>
</table>

B. **Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section VI, no withdrawals 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 the equivalent of one hundred thousand Special Drawing Rights (SDR 100,000) may be made for payments made prior to this date but on or after May 9, 2007, for Eligible Expenditures; or

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

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

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

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

(c) for expenditures under Categories (1) and (2) the table in Part A.2 of Section IV of Schedule 2 to this Agreement unless the Federation has made an initial contribution to the Project Account the equivalent of fifteen thousand Special Drawing Rights (SDR 15,000);

(d) for expenditures under Categories (3), and (4) in the table in Part A.2 of Section IV of Schedule 2 to this Agreement unless the Republika Srpska has made an initial contribution to the Project Account the equivalent of ten thousand Special Drawing Rights (SDR 10,000); and

(e) for expenditures under Categories (2) and (4) in the table in Part A.2 of Section IV of Schedule 2 to this Agreement, unless the Poultry Culling Compensation Scheme Manual, satisfactory to the Association, has been duly adopted by each Entity.

2. The Closing Date is December 31, 2010.
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 June 15 and December 15</td>
<td>5%</td>
</tr>
</tbody>
</table>

commencing December 15, 2017 to and including June 15, 2027

* The percentage represents 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. “Annual Work Program” means the annual plan of activities supported by the Project to be carried out in each calendar year, as prepared by the Recipient, through the TSG, and agreed between the Recipient and the Association pursuant to Section II.3 of Schedule 2 to this Agreement.

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


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

5. “Environmental Management Plan” or “EMP” means the environmental management plan to be prepared by the Recipient and satisfactory to the Association in respect of the procedures to be undertaken during the implementation of the Project for: (i) zoonotic disease containment and waste management as pertain to special waste, emissions and materials at laboratories and medical facilities; and (ii) safe culling of infected and at-risk poultry and disposal of carcasses and related waste materials under Parts 2.B, 2.C, 3.B and 3.C of the Project, as the same may be amended and supplemented from time to time with the Association’s prior written approval.

6. “FM Manual” means, as the case may be, the Financial Management Manual to be prepared by the Federation, for Part 2 of the Project and the Financial Management Manual to be prepared by the RS for Part 3 of the Project, in each case approved by the Association; and “FM Manuals” means the Federation Financial Management Manual and the RS Financial Management Manual, collectively.

7. “Federation” means the Federation of Bosnia and Herzegovina, a constitutive part of the Recipient, and includes any successor or successors thereto.

8. “Federation MOA” means the Federal Ministry of Agriculture, Water Management and Forestry (in the Federation of Bosnia and Herzegovina), and includes any successor thereto.

9. “Federation MOF” means the Federal Ministry of Finance (in the Federation of Bosnia and Herzegovina), and includes any successor thereto.
10. “Federation MOH” means the Federal Ministry of Health (in the Federation of Bosnia and Herzegovina), and includes any successor thereto.

11. “Federation PIU” means the Project Implementation Unit established within the Federation MOA, referred to in the Schedule to the Federation Project Agreement (as defined hereafter).

12. “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.

13. “Federation Subsidiary Agreement” means the agreement to be entered into between the Recipient and the Federation, referred to in paragraph 1 of Section III of Schedule 2 to this Agreement, as the same may be amended from time to time.


15. “HPAI” means Highly Pathogenic Avian Influenza.

16. “MCA” means the Ministry of Civil Affairs of the Recipient, and includes any successor thereto.

17. “MOFT” means the Ministry of Finance and Treasury of the Recipient, and includes any successor thereto.

18. “MOFTER” means the Ministry of Foreign Trade and Economic Relations of the Recipient, and includes any successor thereto.

19. “MOHs” means, collectively, the Federation MOH and the RS MOH (as defined hereafter).

20. “Operating Costs” means reasonable and necessary incremental expenditures related to the operation of TSG, the Federation PIU and the RS PCU, respectively, including on account of Project implementation, management, coordination, and monitoring and evaluation, as approved by Association on the basis of budgets acceptable to the Association, which would not have been incurred absent the Project and include, *inter alia*, the costs of: (i) maintenance and operation of equipment and vehicles procured or used for the management of the Project; (ii) salaries paid to staff hired for the purposes of the Project, other than civil servants’ salaries; (iii) travel costs and per diems; (iv) consumable office supplies; (v) communication, printing and publications; (vi) costs of
translation and interpretation; and (vii) bank charges; and other miscellaneous costs as may be agreed with the Association from time to time.

21. “Poultry Culling Compensation Scheme” means the scheme established by the Recipient pursuant to the Recipient’s Veterinary Law, published in the Recipient’s Official Gazette No. 34/02, and the Compulsory Instructions on Measures for Determination, Prevention and Eradication of Avian Influenza of the Veterinary Office of Bosnia and Herzegovina, No. 01-1-27-692-44/05, dated October 26th 2005, and to be utilized to pay cash compensation to poultry owners referred to in Parts 2.D and 3.D of Schedule I to this Agreement.

22. “Poultry Culling Compensation Funding” means, in respect of the Poultry Culling Compensation Scheme, eligible expenditures under Parts 2.D and 3.D of the Project in accordance with the Poultry Culling Compensation Scheme Manual, compensating eligible poultry owners for culled poultry.

23. “Poultry Culling Compensation Scheme Manual” means the manual to be prepared and adopted by each Entity, and satisfactory to the Association, setting forth eligibility criteria, terms and conditions, and procedures for compensating eligible poultry owners for culled poultry.


25. “Procurement Plan” means the Recipient’s procurement plan for Part 1 and Part 2 of the Project, dated May 9, 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.

26. “Project Account” means the account referred to in paragraph 4 to Section II of Schedule 2 to this Agreement.

27. “Project Agreement” means either the Federation Project Agreement or the RS Project Agreement (as hereafter defined), as the case may be, and “Project Agreements” means said Project Agreements, collectively.

28. “Project Implementing Entity” or “Entity” means either the Federation or RS (as hereafter defined), as the case may be, and “Project Implementing Entities” or “Entities” means the Federation and RS, collectively.

29. “Project Operational Manual” means the manual, to be prepared by the Recipient and satisfactory to the Association, and consistent with the laws and regulations of the Recipient, referred to in sub-paragraph (d) of Section 5.01 of this Agreement, setting forth the operational and administrative responsibilities,
procedures and rules for the implementation of the Project, and including the
projected Annual Work Program for the first year of the Project, and as the same
may be amended and supplemented from time to time with the Association’s
prior written approval.

30. “Republika Srpska” or “RS” means Republika Srpska, a constitutive part of the
Recipient, and includes any successor or successors thereto.

31. “RS MOA” means the Ministry of Agriculture, Water Management and Forestry
of Republika Srpska, and includes any successor thereto.

32. “RS MOF” means the Ministry of Finance of Republika Srpska, and includes any
successor thereto.

33. “RS MOH” means the Ministry of Health and Social Welfare of Republika
Srpska, and includes any successor thereto.

34. “RS PCU” means the Project Coordination Unit established within the RS MOH,
referred to in the Schedule to the RS Project Agreement (as defined hereafter).

35. “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.

36. “RS Subsidiary Agreement” means the agreement to be entered into between the
Recipient and the RS, referred to in paragraph 2 of Section III of Schedule 2 to
this Agreement, as the same may be amended from time to time, and such term
includes all schedules and agreements supplemental to each Subsidiary
Agreement.

37. “SVO” means the State Veterinary Office established within the Ministry of
Foreign Trade and Economic Relations of the Recipient, and includes any
successor thereto.

38. “Subsidiary Agreement” means the Federation Subsidiary Agreement and the RS
Subsidiary Agreement, as the case may be, and the term “Subsidiary
Agreements” means said agreements collectively.

39. “Subsidiary Financing” means the financing to be made out of the proceeds of
the Financing provided to each Entity under a Subsidiary Agreement.

40. “TSG” means the Technical Support Group to be established by the Recipient for
purposes of the Project pursuant to a decision of the Council of Ministers, and
referred to in sub-paragraph (a) of Section 5.01 of this Agreement.
41. “Training” means expenditures, as approved by the Association, on the basis of budgets and plans prepared by the TSG and revised semi-annually, acceptable to the Association, and incurred in connection with Project-related training, workshops, seminars, conferences, and study tours, including travel costs and per-diem allowances for the trainees and the trainers, and other training-related activities and expenditures as may be agreed with the Association from time to time.