EC IPA Grant Agreement

(Water Quality Protection Project: Zivinice Water and Sanitation Subproject)

between

BOSNIA AND HERZEGOVINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
acting as Administrator of the European Commission for the European Union
Instrument for Pre-Accession Trust Fund

Dated March 30, 2012
AGREEMENT dated 30\text{th}, 2012, entered into between BOSNIA AND HERZEGOVINA ("Recipient") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("World Bank"), acting as Administrator of funds provided by the European Commission under the European Union Instrument for Pre-Accession Trust Fund (the "EC IPA Trust Fund").

The Recipient and the World Bank hereby agree as follows:

\textbf{Article I}

\textbf{Standard Conditions; Definitions}

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010 ("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 this Agreement.

\textbf{Article II}

\textbf{The Project}

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out the Project through Federation of Bosnia and Herzegovina ("Project Implementing Entity") in accordance with the provisions of Article II of the Standard Conditions and the agreement between the World Bank and the Project Implementing Entity, as such agreement may be amended from time to time ("Project Agreement").

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

\textbf{Article III}

\textbf{The Grant}

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to one
million three hundred ninety-nine thousand Euro (€1,399,000) ("Grant") to assist in financing the Project.

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

3.03. The Grant is funded out of the EC IPA Trust Fund for which the World Bank has received contribution. In accordance with Section 3.02 of the Standard Conditions, the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

**Article IV**  
**Additional Remedies**

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

(a) the Federation shall have failed to perform any of its obligations under the Project Agreement or the Subsidiary Agreement;

(b) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Federation shall be able to perform its obligations under the Project Agreement or the Subsidiary Agreement or that the PMT, the PCWM, or the PIT or the Participating Utility shall be able to perform their respective obligations under this Agreement, the Project Agreement or of the Sub-Grant Agreement, as the case may be; and

(c) the Recipient, the Federation, or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the PMT, the PCWM, or the PIT or the Participating Utility, or for the suspension of any of their respective activities.

**Article V**  
**Effectiveness; Termination**

5.01. (a) the Project Agreement has been signed on behalf of the Bank and the Federation;

(b) the Subsidiary Agreement has been signed on behalf of the Recipient and the Federation, on terms and conditions satisfactory to the Bank; and
(c) the Sub-Grant Agreement has been signed on behalf of the Federation and Participating Utility, on terms and conditions satisfactory to the Bank.

5.02. The Additional Legal Matters consist of the following:

(a) the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms; and

(b) that the Sub-Grant Agreement referred to in paragraph (c) of Section 5.01 above has been duly authorized or ratified by the Federation and the Participating Utility, and is legally binding upon the Federation and the Participating Utility in accordance with its terms.

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

Article VI
Recipient’s Representative; Addresses

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

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

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

Facsimile:
(387 – 33) 202-930
6.03. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

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

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

BOSNIA AND HERZEGOVINA

By

[A signature]

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
acting as Administrator of the EC Trust Fund for IPA

By

[A signature]
SCHEDULE 1

Project Description

The objective of the Project is to reduce the flow of untreated wastewater coming from the town of Zivinice. Rehabilitation of the wastewater treatment facility in Zivinice will in turn improve the water quality in the Bosna River.

The Project consists of the following parts:

Construction of the first phase of the wastewater treatment plant, including an inlet pumping station with a coarse and fine screening facility, aerated grit chamber, aeration tanks, final settling tank, sludge pumping station, sludge drying beds and effluent measuring.
Section I. Institutional and Other Arrangements

A. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Grant available to the Federation under a subsidiary agreement ("Subsidiary Agreement") between the Recipient and the Federation, under terms and conditions approved by the World Bank.

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

3. The Recipient shall take, or cause to be taken, all measures necessary to ensure that:

   (a) for the purposes of carrying out the Project, the Federation shall on-grant the proceeds of the Grant received by it from the Recipient under the Subsidiary Agreement to the Participating Utility under a Sub-Grant Agreement with the Participating Utility, under terms and conditions that will have been approved by the Bank for the purpose of implementing the Sub-project.

   (b) the Sub-project is implemented by the PIT in a timely manner in full compliance with the provisions of the Environmental Management Plan and the Environmental Framework Policy, as the case may be; and

   (c) the PMT, the PCWM and the PIT are each maintained and adequately staffed throughout the implementation of the Project, satisfactory to the Bank.

B. Operational Manual and Implementation

1. The Recipient shall carry out the Project in accordance with the provisions of the Operational Manual, and shall cause the Federation, and the PMT to perform their respective obligations under the Project in accordance with the provisions of the Operational Manual, and the Project Agreement.
2. The Recipient, through the PMT, shall carry out the Project under the overall responsibility of the MOA. The PMT shall be responsible for overall implementation of the Project, including responsibility for procurement, financial management, monitoring, reporting, and evaluation. The MOA, the PMT and the PCWM shall each fulfill their respective responsibilities and obligations under the Project in accordance with the Operational Manual.

3. The Recipient shall maintain the Operational Manual in form and content satisfactory to the Bank, and shall duly perform all its obligations under the Operational Manual and shall not take or concur in any action which would have the effect of amending, assigning, abrogating or waiving the Operational Manual without obtaining the prior approval of the World Bank.

C. Safeguards

1. The Recipient shall cause the Project to be carried out in accordance with the Environmental Management Plan and the Environmental Framework Policy and, unless the World Bank otherwise agrees, shall not amend, repeal or waive the Environmental Management Plan or the Environmental Framework Policy or any provision of any one thereof.

2. The Recipient, through the PMT, shall ensure that all measures necessary for the carrying out of the Environmental Management Plans and the Environmental Framework Policy are taken in a timely manner.

D. Anti-Corruption

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

E. Donor Visibility and Visit

1. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

2. For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donor to visit any part of the Recipient’s territory for purposes related to the Project.
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

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

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard 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 World Bank not later than six (6) months after the end of such period and made publicly available in a manner acceptable to the Bank.

Section III. Procurement

A. General

1. Procurement and Consultant Guidelines. All goods, works, non-consulting-services and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(a) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”) in the case of goods, works and non-consulting services, and Sections I
and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Consultant Guidelines") in the case of consultants' services; and

(b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines ("Procurement Plan").

2. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in 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 may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:

(I) National Competitive Bidding, subject to the following additional provisions:

(a) Registration

(i) Bidding shall not be restricted to pre-registered firms;

(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

(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.

(b) **Advertising**

Invitations to bid shall be advertised in at least one widely circulated national daily newspaper allowing a minimum of 30 days for the preparation and submission of bids.

(c) **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 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.

(d) **Participation by Government-owned enterprises**

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

(e) **Bidding Documents**

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

(f) **Bid Opening and Bid Evaluation**

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

(ii) evaluation of bids shall be made in strict adherence to the monetarily quantifiable criteria declared in the bidding documents; and
contracts shall be awarded to the qualified bidder having submitted the lowest-evaluated, substantially responsive bid and no negotiation shall take place.

(g) **Price Adjustment**

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

(h) **Rejection of Bids**

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

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

(II) **Shopping;**

(III) **Direct Contracting;** and

(IV) **Force Account.**

C. **Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (a) Least Cost Selection; (b) Selection based on Consultants’ Qualifications; (c) Single-source Selection; and (d) Selection of Individual Consultants.

D. **Review by the World Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.
Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in Euro)</th>
<th>Percentage of Expenditures to be Financed (excluding taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civil works</td>
<td>1,200,000</td>
<td>80%</td>
</tr>
<tr>
<td>Goods</td>
<td>150,000</td>
<td>100%</td>
</tr>
<tr>
<td>Consultants' Services, Non-Consulting Services and Operating Costs under the Project</td>
<td>49,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,399,000</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 for payments made prior to the date of this Agreement.

2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is June 30, 2013.
APPENDIX

Definitions


2. “Environmental Management Plan” means the environmental management plan, satisfactory to the Bank, prepared and adopted by the Recipient and the Federation on March 17, 2005, setting forth the environmental and social mitigation and monitoring plans, implementation schedules, and institutional arrangements to be taken during the implementation and operation of the Sub-project to be undertaken by the Participating Utility, during Project implementation in order to avoid or reduce adverse environmental impacts, and the actions needed to implement these measures.

3. “Environmental Framework Policy” means the environmental framework policy, entitled “Environmental Guidelines”, satisfactory to the World Bank, prepared and adopted by the Recipient and the Federation on March 17, 2005, setting forth the environmental and social mitigation, monitoring and institutional measures to be taken during the implementation and operation of the Project to avoid or reduce adverse environmental impacts from chance finds that may be identified, appraised, and financed after the date of signature of this Agreement by agreement from time to time between the Recipient and the World Bank, and the actions needed to implement these measures.

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

5. “MOA” means the Ministry of Agriculture, Water Management and Forestry of the Federation, and includes any successor thereto.

6. “Operational Manual” means the manual, including the Project Implementation Plan, the Financial Management Manual, and the Environmental Framework Policy, satisfactory to the World Bank and adopted by the Recipient and the Federation, respectively, and setting out the operational and administrative procedures for the implementation of the Project, as the same may be amended from time to time by agreement between the World Bank and the Recipient.

7. “Participating Utility” means the local body or enterprise operating in Zivinice that is responsible for the provision of water supply and sanitation within Zivinice, and which is to participate in the carrying out of the Project pursuant to
a Sub-Grant Agreement (as hereafter defined) between the Federation and such Participating Utility under Section 2.01 (b) of the Project Agreement.

8. "PCWM" means the Public Company for Water Management of Sava Catchment, an enterprise wholly-owned by the Federation, responsible for water management, and established under its Ministry of Agriculture pursuant to the Water Law of the Federation, and includes any successor thereto.

9. "PIT" means the Project Implementation Team established and to be established within the Participating Utility, comprised of a qualified Procurement Officer and a Financial Officer, and such other qualified personnel as may be necessary for Project purposes, employed under terms of reference satisfactory to the Bank if the salary of any such person will be financed under the Project, and which Team will be responsible for the day-to-day implementation and administration of the Sub-projects.

10. "PMT" means the Project Management Team established within the MOA, staffed by qualified personnel of the MOA and PCWM, and comprised of a qualified Procurement Manager, Procurement Officer, Financial Manager and Assistant, and such other qualified personnel as may be necessary for Project purposes, all of whose services will be retained for the entire implementation of the Project, and which Team will be responsible for Project financial management and procurement, subject to such modifications thereof as the Recipient and the Bank may agree upon from time to time.

11. "Procurement Plan" means the Recipients procurement plan for the Project, dated March 2011 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.

12. "Project Implementing Entity" means the Federation (as defined in this Appendix), a party to the Project Agreement.

13. "Project Agreement" means the agreement between the Bank and the Federation entered into to implement this Project, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement.

14. "Sub-Grant" means a grant provided or to be provided by the Federation to the Participating Utility under a Sub-Grant Agreement (as hereafter defined) from the proceeds of the Grant provided to the Federation under the Subsidiary Agreement.
15. “Sub-Grant Agreement” means the agreement to be entered into between the Federation and the Participating Utility for the provision of the Sub-Grant to the Participating Utility for the purpose of carrying out the Project.

16. “Sub-project” means a high-priority, low-cost water supply or sanitation capital investment project, and related investments, to be carried out by the Participating Utility.

17. “Subsidiary Agreement” means the agreement referred to in paragraph 1 of Part A of Section 1 of Schedule 2 of this Agreement, pursuant to which the Recipient shall make the proceeds of the Grant available to the Federation for carrying out the Project.

18. “Subsidiary Grant” means the grant provided by the Recipient to the Federation under the Subsidiary Agreement from the proceeds of the Grant.