Financing Agreement

(Second Solid Waste Management Project)

between

BOSNIA AND HERZEGOVINA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 25, 2009
FINANCING AGREEMENT

AGREEMENT dated June 25, 2009, entered into between BOSNIA AND HERZEGOVINA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

WHEREAS the Recipient has also requested the International Bank for Reconstruction and Development (Bank) to provide additional assistance towards the financing of the Project and by an agreement of even date herewith between the Recipient and the Bank (the Loan Agreement), the Bank is agreeing to provide such assistance in an aggregate principal amount equal to seventeen million Euros (EUR 17,000,000)(the Loan).

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 nine million six hundred thousand Special Drawing Rights (SDR 9,600,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).

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

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
2.04 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

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

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

2.07. The Payment Currency is Euro.

ARTICLE III - PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause Part 1 of the Project to be carried out by the Federation and Part 2 of the Project to be carried out by RS in accordance with the provisions of Article IV of the General Conditions, the Federation Project Agreement and the RS Project Agreement.

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

   (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 Financing Agreement.

   (c) the Federation Subsidiary Financing Agreement or the RS Subsidiary Financing Agreement shall have been amended without prior approval of the Association.

4.02. The Additional Event of Acceleration consists of the following, namely that any event specified in paragraphs (a) and (c) 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) a Project Agreement has been executed on behalf of the Association, the Bank and an Entity on terms and conditions satisfactory to the Association;

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

(c) a Subsidiary Credit Agreement has been executed on behalf of either of the two Entities at least with one Participating Utility on terms and conditions satisfactory to the Association;

(d) the Operational Manual has been adopted by the Recipient;

(e) The Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness (other than the effectiveness of this Agreement) have been fulfilled;

(f) the Federation PMU has upgraded the Project accounting software in a manner acceptable to the Association; and

(g) the RS PMU has installed a Project accounting software in a manner acceptable to the Association.

5.02. The Additional Legal Matters consist of the following:

(a) the Project Agreement referred to in paragraph (a) 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;

(b) the Subsidiary Financing Agreement referred to in paragraph (b) 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 the Entity in accordance with its terms; and

(c) the Subsidiary Credit Agreement referred to in paragraph (c) of Section 5.01 of this Agreement has been duly authorized or ratified by the Entity
and the Participating Utility concerned and is legally binding upon the Entity and the Participating Utility 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:

   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: INDEVAS  
   Telex: 248423 (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 /s/ Dragan Vrankic

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jane Armitage

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to improve the availability, quality, environmental soundness and financial viability of solid waste management services in Participating Utilities.

The Project consists of the following parts:

Part 1. The Federation

A. Waste Management

Carrying out civil works and provision of equipment and consultants’ services, including the financing of Operating Costs for PITs, for: (i) the rehabilitation of existing disposal sites and upgrading of infrastructure to meet sanitary standards; (ii) the permanent closure of wild dump sites in an environmentally sound way and the establishment of a long-term environmental monitoring system; (iii) strengthening collection infrastructure and equipment, including collection bins, support vehicles and other related equipment; (iv) the conversion of existing small dump sites into an optimal number of transfer stations to handle residential, commercial and institutional waste for consolidation to regional landfill sites; (v) upgrading processes in advanced regional landfills including sorting, recycling and gas capturing; and (vi) the prior treatment of waste.

B. Capacity Building

Provision of technical assistance and carrying out of training, outreach and capacity-building activities to benefit Entity-level institutions involved in developing, planning, implementing and evaluating municipal waste management policies and programs and controlling sector policies and regulations, including: (i) support for the Federation’s long-term planning within the framework of the Recipient’s solid waste management system, including enforcement measures and gradual upgrading to international standards; (ii) developing financial management capacity for said system to operate on a commercial basis and to achieve cost optimization and cost recovery; (iii) the promotion of private sector participation where appropriate; (iv) training related to disposal, landfill operations, closure of existing landfills and design of future landfills; (v) the preparation of feasibility studies and financial, environmental and social assessments of landfill sites; (vi) the preparation of final designs and bidding documents and support for bidding procedures for investments and services under Part 1.A of the Project; (vii) the carrying out of public information programs and environmental monitoring to build consensus on, and promote local ownership of the solid waste management system and the concept of multi-municipal landfills, and to raise awareness on benefits of safe collection and disposal of household refuse and motivate households and industry to pay.
user fees; (viii) the assessment of alternatives for separating, collecting and disposing of hazardous waste; and (ix) developing a hazardous waste strategy, including options to promote inter-state cooperation in solid waste management and operation of joint sanitary landfills with surrounding municipalities in neighboring countries.

C. Project Management and Operating Costs

Provision of technical assistance, training and goods and financing of Operating Costs to support the Federation PMU in the implementation of the Project.

Part 2. Republika Srpska

A. Waste Management

Carrying out civil works and provision of equipment and consultants’ services, including the financing of Operating Costs for PITs, for: (i) the rehabilitation of existing disposal sites and upgrading of infrastructure to meet sanitary standards; (ii) the permanent closure of wild dump sites in an environmentally sound way and the establishment of a long-term environmental monitoring system; (iii) strengthening collection infrastructure and equipment, including collection bins, support vehicles and other related equipment; (iv) the conversion of existing small dump sites into an optimal number of transfer stations to handle residential, commercial and institutional waste for consolidation to regional landfill sites; (v) upgrading processes in advanced regional landfills including sorting, recycling and gas capturing; and (vi) the prior treatment of waste.

B. Capacity Building

Provision of technical assistance and carrying out of training, outreach and capacity-building activities to benefit Entity-level institutions involved in developing, planning, implementing and evaluating municipal waste management policies and programs and controlling sector policies and regulations, including: (i) support for RS’ long-term planning within the framework of the Recipient’s solid waste management system, including enforcement measures and gradual upgrading to international standards; (ii) developing financial management capacity for said system to operate on a commercial basis and to achieve cost optimization and cost recovery; (iii) the promotion of private sector participation where appropriate; (iv) training related to disposal, landfill operations, closure of existing landfills and design of future landfills; (v) the preparation of feasibility studies and financial, environmental and social assessments of landfill sites; (vi) the preparation of final designs and bidding documents and support for bidding procedures for investments and services under Part 2.A of the Project; (vii) the carrying out of public information programs and environmental monitoring to build consensus on, and promote local ownership of the solid waste management system and the concept of multi-municipal landfills, and to raise awareness on benefits of safe collection and disposal of household refuse and motivate households and industry to pay user fees; (viii)
the assessment of alternatives for separating, collecting and disposing of hazardous waste; and (ix) developing a hazardous waste strategy, including options to promote inter-state cooperation in solid waste management and operation of joint sanitary landfills with surrounding municipalities in neighboring countries.

C. Project Management and Operating Costs

Provision of technical assistance, training and goods and financing of Operating Costs to support the RS PMU in the implementation of the Project.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. 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 Project shall be implemented under the overall responsibility of FMET in the Federation and MPPCE in RS. The PMUs, which shall report to, respectively, FMET and MPPCE, shall be responsible for Project management, including procurement and financial management, in, respectively, the Federation and RS.

2. PITs shall be established in each Participating Utility managing a landfill site under the Project. PITs shall handle procurement and financial aspects in relation to their respective landfill site under the Project, which shall be subsequently reviewed by the relevant PMU to ensure compliance with the Association guidelines and procedures. PITs shall report to the relevant PMU at least on a quarterly basis.

B. Implementation Covenants and Safeguards

1. The Recipient shall cause the Entities to each maintain their respective PMU, at all times during Project implementation, with terms of reference and resources satisfactory to the Association, and with competent staff in adequate numbers.

2. The Recipient shall, and shall cause the Entities to:

   (a) duly perform all obligations under the Operational Manual and the EF in a timely manner and in accordance with their respective terms, and apply and implement, as the case may be, the actions, criteria, policies, procedures and arrangements therein set forth; and

   (b) not amend or waive, or permit to be amended or waived the Operational Manual or the EF or any provisions of any one thereof, except with the prior written approval of the Association.

3. The Recipient shall ensure, and shall cause the Entities to ensure, that no private land shall be affected by the Project and that no land acquisition or resettlement shall be required.

4. The Recipient, through the PMUs, shall, within eighteen (18) months of Effectiveness Date, prepare and submit to the Association an implementation progress report, in form and substance satisfactory to the Association, said report to, inter alia, recommend, as necessary and on the basis of the Eligibility Criteria for Technical Assistance and the Eligibility Criteria for Investment Funding, any need for reallocating proceeds of Subsidiary Credits among Participating utilities. Decisions in relation to any
such reallocation shall be made jointly by FMET and MPPCE and subject to the Association’s approval.

C. Subsidiary Agreements

1. To facilitate the carrying out and financing of Part 1 of the Project, the Recipient shall make part of the proceeds of the Financing available to the Federation under a subsidiary agreement between the Recipient and the Federation (“Federation Subsidiary Financing Agreement”), under the same terms and conditions as the Financing, approved by the Association and including the Anti-Corruption Guidelines, for on-lending by the Federation to its Participating Utilities on terms and conditions set forth in Part D of this Section I.

2. To facilitate the carrying out and financing of Part 2 of the Project, the Recipient shall make part of the proceeds of the Financing available to Republika Srpska under a subsidiary agreement between the Recipient and Republika Srpska (“RS Subsidiary Financing Agreement”), under the same terms and conditions as the Financing, approved by the Association and including the Anti-Corruption Guidelines, for on-lending by RS to its Participating Utilities on terms and conditions set forth in Part D of this Section I.

3. The Recipient shall exercise its rights under the Subsidiary Financing 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 the Subsidiary Financing Agreements or any provision thereof.

D. Sub-projects

1. For purposes of Parts 1.A, 1.B, 2.A and 2.B of the Project, the Recipient shall cause the Entities to on-lend proceeds of the Financing to their respective Participating Utilities under a Subsidiary Credit Agreement to be entered into between the Federation and each Participating Federation Utilities and between RS and each Participating RS Utilities, in accordance with eligibility criteria and procedures set forth in the Operational Manual, under terms and conditions which shall have been approved by the Association and including the Anti-Corruption Guidelines, and which shall include the following:

   (a) for purposes of Parts 1.A and 2.A of the Project, each sub-project proposal shall include a feasibility study and an Environmental Assessment for the proposed landfill site, prepared in accordance with the EF and in form and substance satisfactory to the Association;

   (b) sub-project proposals shall be selected, appraised, implemented and evaluated in accordance with the principles and procedures set forth in the Operational Manual, the Procurement Guidelines, the Anti-Corruption Guidelines and the EF and on the basis of the relevant Environmental Assessment, the Eligibility Criteria for Technical Assistance and the Eligibility Criteria for Investment Funding;
(c) implementation progress for each sub-project shall, within eighteen (18) months from the date of the relevant Subsidiary Credit Agreement, be measured by the relevant PMU and PIT on the basis of the action plan and performance targets provided in said Agreement and satisfactory to the Association. In the event that said progress does not meet said plan and targets, the relevant PMU, in consultation with FMET or MPPCE, as the case may be, and the Association, shall determine whether the unused amount of said credit should be transferred to another Participating Utility; and

(d) for purposes of Parts 1.A (ii) and 2.A (ii) of the Project, funding requests for closure of wild dump sites in individual municipalities shall demonstrate that: (i) the given municipality is a member of the Inter-Municipal Board of a regional solid waste Utility; and (ii) the solid waste originally disposed at the wild dump site is managed at a regional sanitary landfill.

2. The Recipient shall, and shall cause the Entities, to obtain rights adequate to protect their interests and those of the Association, including the right to:

   (a) suspend or terminate the right of a Participating Utility to use the proceeds of the Subsidiary Credit, or accelerate or obtain a refund of all or any part of the amount of said credit, upon the Participating Utility’s failure to perform any of its obligations under the Subsidiary Credit Agreement;

   (b) seek a refund of all or part of the Subsidiary Credit in the event that progress in implementing a given sub-project under said credit does not meet the action plan and performance targets provided in the relevant Subsidiary Credit Agreement; and

   (c) require each Participating Utility to: (i) carry out its obligations under the Subsidiary Credit Agreement with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Financing proceeds other than the Recipient, and the EF; (ii) provide, promptly as needed, the resources required for the purpose; (iii) procure the goods, works and services to be financed out of the Subsidiary Credit Agreement in accordance with the provisions of this Agreement and the Procurement Guidelines; (iv) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with indicators acceptable to the Association, the progress of the sub-project and the achievement of its objectives; (v) (A) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the sub-project; and (B) at the Association’s or the Recipient’s request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; (vi) enable the Recipient and the Association to inspect the sub-project, its operation and any relevant
records and documents; and (vii) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

3. The Recipient shall cause the Entities to exercise their rights under each Subsidiary Credit 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 cause the Entities not to assign, amend, abrogate or waive any Subsidiary Credit Agreement or any of its provisions.

E. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient, through the PMUs, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.

2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain, and shall cause the Entities, through their respective PMU, to maintain a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation to the provisions of Part A of this Section, the Recipient shall cause the Entities, through their respective PMU, 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 cause the Entities, through their respective PMU, to have their Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period
of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

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

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

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

B. Particular Methods of Procurement of Goods and Works

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

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

<table>
<thead>
<tr>
<th>Procurement Method</th>
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<tbody>
<tr>
<td>(a) National Competitive Bidding subject to the modifications set forth in paragraph 3 below.</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
</tbody>
</table>
3. Procedures for National Competitive Bidding shall be carried out by using either:
(a) standard bidding documents acceptable to the Association; or (b) bidding documents,
acceptable to the Association, prepared by the PMUs on the basis of Open tendering
procedure under the Recipient’s Public Procurement Law (Official Gazette November 2,
2004 No.49/04), all subject to the following provisions:

<table>
<thead>
<tr>
<th>(1) Registration</th>
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<tbody>
<tr>
<td>(a) bidding shall not be restricted to pre-registered firms;</td>
</tr>
<tr>
<td>(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</td>
</tr>
<tr>
<td>(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.</td>
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</tbody>
</table>

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<tr>
<th>(2) Advertising</th>
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<tbody>
<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>
</tr>
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</table>

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<thead>
<tr>
<th>(3) Pre-qualification</th>
</tr>
</thead>
<tbody>
<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>
</tr>
</tbody>
</table>

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<tr>
<th>(4) Participation by Government-owned enterprises</th>
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</thead>
<tbody>
<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</td>
</tr>
</tbody>
</table>
Bidding Documents

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

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.

Price Adjustment

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

Rejection of Bids

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

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 Recipient 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 & 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.

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 the 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>
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</thead>
<tbody>
<tr>
<td>(a) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(b) Least Cost Selection</td>
</tr>
<tr>
<td>(c) Selection based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(e) Sole Source Procedures for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>
D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association:

<table>
<thead>
<tr>
<th></th>
<th>Procurement Method</th>
<th>Prior Review Threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>ICB (Goods and Works)</td>
<td>All contracts</td>
</tr>
<tr>
<td>2.</td>
<td>NCB (Goods)</td>
<td>First two contracts</td>
</tr>
<tr>
<td>3.</td>
<td>NCB (Works)</td>
<td>All contracts with estimated cost equivalent or more than US$500,000</td>
</tr>
<tr>
<td>4.</td>
<td>Direct Contracts</td>
<td>All contracts</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Selection Method</th>
<th>Prior Review Threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Competitive Methods (firms)</td>
<td>All contracts with estimated cost equivalent or more than US$100,000</td>
</tr>
<tr>
<td>2.</td>
<td>Single Source (firms and individuals)</td>
<td>All contracts</td>
</tr>
<tr>
<td>3.</td>
<td>Consultant Qualifications</td>
<td>The first two contracts</td>
</tr>
<tr>
<td>4.</td>
<td>Individual</td>
<td>All contracts with estimated cost equivalent or more than US$50,000</td>
</tr>
</tbody>
</table>
Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

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

<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>(1) Goods, works, consultants’ services and Operating Costs for Part 1.A of the Project</td>
<td>4,370,000</td>
<td>90%</td>
</tr>
<tr>
<td>(2) Goods, works and consultants’ services for Parts 1.B and 1.C of the Project</td>
<td>630,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Operating Costs for Part 1.C of the Project</td>
<td>280,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Unallocated for Part 1 of the Project</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>(5) Goods, works, consultants’ services and Operating Costs for Part 2.A of the Project</td>
<td>3,580,000</td>
<td>90%</td>
</tr>
<tr>
<td>(6) Goods, works and consultants’ services for Parts 2.B and 2.C of the Project</td>
<td>510,000</td>
<td>100%</td>
</tr>
<tr>
<td>(7) Operating Costs for Part 2.C of the Project</td>
<td>230,000</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>(8) Unallocated for Part 2 of the Project</td>
<td>0</td>
<td>9,600,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>9,600,000</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:

   (a) For payments made prior to the date of this Agreement; or

   (b) For expenditures under Categories (1), (2), (3) and (4) in the table in Part A.2, Section IV of Schedule 2 to this Agreement, unless:

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

      (ii) the Subsidiary Financing Agreement between the Recipient and the Federation has been executed on terms and conditions satisfactory to the Association; and

      (iii) an opinion has been furnished to the Association stating that the Federation Project Agreement and the Federation Subsidiary Financing Agreement have been duly authorized or ratified, as the case may be, by the Federation and the Recipient, and are legally binding upon them in accordance with their respective terms; or

   (c) For expenditures under Categories (5), (6), (7) and (8) in the table in Part A.2, Section IV of Schedule 2 to this Agreement, unless:

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

      (ii) the Subsidiary Financing Agreement between the Recipient and Republika Srpska has been executed on terms and conditions satisfactory to the Association; and
(iii) an opinion has been furnished to the Association stating that the RS Project Agreement and the RS Subsidiary Financing Agreement have been duly authorized or ratified, as the case may be, by the RS and the Recipient, and are legally binding upon them in accordance with their respective terms; or

(d) Under Categories (1), (2), (5) or (6), for expenditures incurred by a specific Participating Utility unless such Utility has concluded a Subsidiary Credit Agreement.

2. The Closing Date is February 28, 2014.
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, commencing December 15, 2018 to and including June 15, 2028:</td>
<td>5%</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.
SCHEDULE 4

Eligibility Criteria for Technical Assistance and Investment Funding

1. Eligibility Criteria for Technical Assistance under Parts 1.B and 2.B of the Project

Participating Utilities that meet the following four (4) criteria may be eligible to apply for technical assistance under the Project:

(a) Demonstrated consistence with the relevant Entity solid waste management strategy.
(b) A minimum of three (3) municipalities with declared interest in cooperating in solid waste management.
(c) The Participating Utility has a minimum aggregated population of 100,000.
(d) The relevant Inter-Municipal Board has been established.

2. Eligibility Criteria for Investment Funding under Parts 1.A and 2.A of the Project

Participating Utilities that meet at least four (4) of the following six (6) criteria may be eligible to apply for investment funding under the Project:

(a) A regional solid waste management company has been established.
(b) The site for regional sanitary landfill has been selected.
(c) The local community has been duly consulted in the selection process of the site for regional sanitary landfill.
(d) A suitable feasibility study has been prepared.
(e) The detailed design and bidding documents for the proposed sub-project have been prepared.
(f) A suitable Environmental Assessment and environmental risk mitigation plan have been prepared.
APPENDIX

Definitions


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


4. “Eligibility Criteria for Technical Assistance” means the criteria set forth in Schedule 4 to this Agreement, to be met by Participating Utilities in order to be eligible for technical assistance under Parts 1.B and 2.B of the Project.

5. “Eligibility Criteria for Investment Funding” means the criteria set forth in Schedule 4 to this Agreement, to be met by Participating Utilities in order to be eligible for investment funding under Parts 1.A and 2.A of the Project.

6. “Entity” means either the Federation or RS, as the case may be, and Entities means the Federation and RS, collectively.

7. “Environmental Assessment” means the environmental assessment to be prepared pursuant to Part D.1(a), Section I of Schedule 2 to this Agreement.

8. “Environmental Framework and Management Plan“ and “EF” means the environmental management plan, satisfactory to the Association, dated March 11, 2008, adopted by the Recipient and describing the environmental mitigation, monitoring and institutional measures under the Project.

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

10. “Federation PMU” means the Federation Project Management Unit headed by a Manager and comprising a qualified Procurement Manager, a Procurement Analyst, a Financial Manager, an Accountant, a Project Engineer and such other qualified personnel, as necessary, established in FMET.

11. “Federation Project Agreement” means the Project Agreement among the Bank, 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.

12. “Federation Subsidiary Financing Agreement” means the Subsidiary Financing Agreement between the Recipient and the Federation, pursuant to which the Recipient makes a part of the proceeds of the Financing available to the Federation for the carrying out of the Project, as the same may be amended from time to time with the prior approval of the Association, and such term includes all schedules and agreements supplemental to the Federation Subsidiary Financing Agreement.

13. “FM Manual” means the Financial Management Manual prepared by the Recipient and the Entities for the Project, as an integral part of the Operational Manual and satisfactory to the Association, setting out the financial management and internal control policies and procedures for financial management and financial reporting of the Project.

14. “FMET” means the Ministry of Environment and Tourism of the Federation, and includes any successor thereto.

15. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).

16. “Inter-Municipal Board” means a body comprised of representatives of the municipalities of the Federation and RS, as the case may be, participating in the Project and sharing the regional landfill site for adopting policies and financing mechanism for their Utilities.

17. “KM” means the Convertible Mark, the currency of the Recipient.

18. “Loan Agreement” means the loan agreement for the Project between the Recipient and the Bank, of even date herewith, as such loan agreement may be amended from time to time. “Loan Agreement” includes all appendices, schedules and agreements supplemental to the Loan Agreement.


20. “Operating Costs” means the reasonable and necessary incremental expenditures related to the operation of the PMUs and PITs, on account of Project implementation, management, coordination, and monitoring and evaluation, as approved by the Association on the basis of budgets acceptable to the Association, and including, 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; and (vi) costs of translation and interpretation.

21. “Operational Manual” means the manual adopted by the Recipient pursuant to Section 5.01 (d) of this Agreement, satisfactory to the Association, setting forth the operational and administrative responsibilities, procedures and rules for the implementation of the Project, and including, *inter alia*, the FM Manual, the EF and the eligibility criteria, selection procedures, terms and conditions and procurement arrangements for Subsidiary Credits.

22. “Participating Utility” means a Participating Federation Utility or a Participating RS Utility.

23. “Participating Utilities” means, collectively, the Participating Federation Utilities and the Participating RS Utilities.

24. “Participating Federation Utilities” means the Utilities in the Federation which are to participate in the carrying out of the Project pursuant to the Subsidiary Credit Agreement between the Federation and each such Utility.

25. “Participating RS Utilities” means the Utilities in RS which are to participate in the carrying out of the Project pursuant to the Subsidiary Credit Agreement between RS and each such Utility.

26. “PIT” means the Project Implementation Team comprised of a qualified Procurement Analyst and Accountant and such other qualified personnel, as necessary, established in each Utility managing a landfill site under the Project.

27. “PMU” means either the Federation PMU or the RS PMU, as the case may be, and PMUs means said PMUs collectively.


29. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated September 22, 2008 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.

30. “Project Agreement” means either the Federation Project Agreement or the RS Project Agreement, as the case may be, and Project Agreements means said Project Agreements collectively.
“Republika Srpska” or “RS” means Republika Srpska, a constitutive part of the Recipient, and includes any successor or successors thereto.

“RS PMU” means the RS Project Management Unit headed by a Manager and comprising a qualified Procurement Manager, a Procurement Analyst, a Financial Manager, an Accountant, a Project Engineer and such other qualified personnel, as necessary, established within MPPCE.

“RS Project Agreement” means the Project Agreement among the Bank, 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.

“RS Subsidiary Financing Agreement” means the Subsidiary Financing Agreement between the Recipient and RS, pursuant to which the Recipient makes a part of the Proceeds of the Financing available to RS for the carrying out of the Project, as the same may be amended from time to time with the prior approval of the Association, and such term includes all schedules and agreements supplemental to the RS Subsidiary Agreement.

“Subsidiary Credit” means the credit provided by each Entity to a Participating Utility under a Subsidiary Credit Agreement.

“Subsidiary Credit Agreement” means the agreement to be entered into between the Federation and each Participating Federation Utility, and between RS and each Participating RS Utility, and such term includes all schedules to the Subsidiary Credit Agreement.

“Utility” means a local body in each Entity responsible for the disposal of municipal waste and management of and operation of the regional landfill site, and Utilities means more than one Utility.