Global Environment Facility
Grant Agreement

(Adriatic Sea Environmental Pollution Control Project I)

between

BOSNIA AND HERZEGOVINA

and

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

Dated SEPTEMBER 10, 2014
WHEREAS:

(A) The GEF has agreed to support the control of environmental pollution in the Adriatic Sea by financing projects in the Republic of Croatia and Bosnia and Herzegovina (the “Regional Project”);

(B) The GEF has agreed to provide financing for activities in the territory of Bosnia and Herzegovina, as further described in Schedule 1 to this Agreement, on the terms and conditions set forth in this Agreement (the “Project”); and

(C) The GEF has agreed to provide financing for activities in the territory of the Republic of Croatia, as further described and on the terms and conditions set forth in a GEF grant agreement between the Republic of Croatia and the World Bank, acting as an implementing agency of the GEF.

NOW THEREFORE, the Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions


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, including its Appendix.
Article II
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 the Ministry of Foreign Trade and Economic Relations ("MoFTER") in accordance with the provisions of Article II of the Standard Conditions.

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.

Article III
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 two million four hundred forty thousand United States Dollars ($2,440,000) ("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 abovementioned trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Additional Remedies

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

(a) The World Bank has determined after the Effective Date referred to in Section 5.03 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient’s right to make withdrawals from the
Article V
Effectiveness; Termination

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied:

(a) The execution and delivery of this Agreement on behalf of the Recipient has been duly authorized or ratified by all necessary governmental and corporate action.

(b) The Project Operations Manual, satisfactory to the World Bank, has been finalized and adopted by the Recipient.

(c) The Recipient, through MoFTER, J.P. Deponija d.o.o. Mostar, and the City of Mostar have entered into contractual arrangements, satisfactory to the World Bank, to ensure the Recipient’s access rights to the solid waste leachate collection and treatment plant in Mostar’s landfill for the implementation of the Project.

5.02. As part of the evidence to be furnished pursuant to Section 5.01(a), there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Member Country, showing that on behalf of the Recipient, this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms.

5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.04. Termination for Failure to Become Effective. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) 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
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 1-202-477-6391
Facsimile: 64145 (MCI)
AGREED at Sarajevo, Bosnia and Herzegovina, as of the day and year first above written.

BOSNIA AND HERZEGOVINA

By: 

[Signature]

Authorized Representative

Name: NIKOLA ŠPIRIĆ

Title: MINISTER OF FINANCE AND TREASURY

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

By: 

[Signature]

Authorized Representative

Name: ANABELA ABREU

Title: COUNTRY MANAGER
SCHEDULE 1
Project Description

The objectives of the Regional Project are to: (a) reduce the discharge of pollutants with transboundary importance, particularly nitrogen, in selected Hot-Spots of the eastern Adriatic Sea; and (b) to improve the capacity in the Republic of Croatia and Bosnia and Herzegovina to prepare pollution control projects in selected localities of Dalmatia and Herzegovina and to strengthen the capacity to monitor the sea water quality.

The Project consists of the following parts:

Part I: Demonstration Investments for Reduction of Nutrient Discharges and Improvement of Water Quality Monitoring Capacity

Design, supply and installation of equipment for reduction of nutrient discharges, including, *inter alia*, upgrading the leachate treatment plant in Mostar's landfill.

Part II: Technical Assistance

Technical assistance for the preparation of preliminary designs and project documentation, including preparation of tender documentation to access European Union ("EU") funds, for investments in leachate and wastewater treatment and management to comply with EU requirements in selected locations in Herzegovina and Neum.

Part III: Project Management and Dissemination

Incremental operating costs for MoFTER’s PMT expenses.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Implementation Arrangements

1. At all times during Project implementation, the Recipient, through MoFTER, shall ensure that the PMT is maintained with adequate funds, facilities, services and other resources, and with suitably qualified staff in sufficient numbers.

2. (a) The Recipient shall coordinate the implementation of the activities under the Project with the Republic of Croatia.

(b) The Recipient, through MoFTER, shall nominate, no later than three (3) months after the Effective Date, appropriate representatives to the Project Steering Committee and maintain appropriate representatives throughout the duration of the Project at the Project Steering Committee, with a structure and in a form and with functions, staffing, terms of reference, qualifications, scope of responsibilities satisfactory to the World Bank, and other adequate resources. The Project Steering Committee shall be responsible for coordination, monitoring, and knowledge sharing between the Recipient and the Republic of Croatia, and general Project strategic guidance and implementation oversight.

3. The Recipient, through MoFTER, shall carry out the Project in accordance with the POM, and shall not amend, suspend, abrogate, repeal or waive any provision of the POM, without prior approval of the World Bank.

4. No later than twelve (12) months after the Effective Date and without limitation upon the other provisions of Section I.A of Schedule 2 to this Agreement, and except as the World Bank and the Recipient shall otherwise agree, the Recipient, through MoFTER, shall enter into arrangements, satisfactory to the World Bank, with J.P. Deponija d.o.o. Mostar (“J.P. Deponija”) and the City of Mostar which shall regulate and describe: (i) the support provided by J.P. Deponija during the design phase and works supervision under Part I of the Project; (ii) the procedure for the acceptance of final works and handing over the leachate treatment plant to J.P. Deponija; (iii) the plan for operating procedures upon completion of the works for the refurbished leachate treatment plant, including compliance with the EMP(s) and ESMF; and (iv) the requirements and mechanisms for ensuring the financial sustainability of J.P. Deponija to ensure coverage of the operation and maintenance costs for the leachate treatment plant.
5. Upon completion of the works for the upgrading of the leachate treatment plant, the Recipient, through MoFTER, shall transfer ownership of the plant and related assets to J.P. Deponija under contractual arrangements satisfactory to the World Bank, which shall include the details of the requirements set forth in subparagraphs (4)(iii) and (4)(iv) above.

B. **Anti-Corruption**

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

C. **Safeguards**

1. The Recipient shall ensure that the Project is carried out in accordance with the ESMF and the respective EMP(s).

2. The Recipient shall ensure that no provision of the ESMF and EMP(s), as the case may be, is amended, suspended, abrogated, repealed or waived without prior written approval of the World Bank.

3. The Recipient shall ensure that no activities under the Project involve the involuntary taking of land resulting in relocation or loss of shelter, loss of assets or access to assets, loss of income sources or means of livelihood, or involving the involuntary restriction of access to legally designated parks and protected areas according to the World Bank’s policy on “Involuntary Resettlement”.

4. For the purposes of technical assistance under Part II of the Project, the Recipient shall ensure that the terms of reference for any consultancies shall be prepared in accordance with the ESMF and shall be satisfactory to the World Bank.

**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 one month 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 the Financial Statements for the Project audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each such 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.

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, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:

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

   (b) Shopping; and

   (c) Direct Contracting.

C. Particular Methods of Procurement of Consultants’ Services

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

2. Other Methods of Procurement of Consultants’ Services. The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Selection of Individual Consultants; and (g) Single-source procedures for the 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 USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, and consultants’ services under the Project</td>
<td>2,250,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Incremental Operating Costs (including audit)</td>
<td>190,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>2,440,000</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, except that withdrawals up to an aggregate amount not to exceed sixty thousand United States Dollars ($60,000) equivalent may be made for payments made prior to this date but on or after June 1, 2013, for Eligible Expenditures.

2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is March 15, 2017.
ANNEX TO SCHEDULE 2
Additional Provisions for National Competitive Bidding

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

(1) Registration

(a) bidding shall not be restricted to pre-registered firms;

(b) where registration is required, bidders: (i) shall be allowed a reasonable time to complete the registration process; and (ii) shall not be denied registration for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification; and

(c) foreign bidders shall not be precluded from bidding. If a registration process is required, a foreign bidder declared the lowest evaluated bidder shall be given a reasonable opportunity to register.

(2) Advertising

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

(3) Pre-qualification

When pre-qualification shall be required for large or complex works, invitations to pre-qualify for bidding shall be advertised in at least one widely circulated national daily newspaper a minimum of thirty (30) days prior to the deadline for the submission of pre-qualification applications. Minimum experience and technical and financial requirements shall be explicitly stated in the pre-qualification documents.

(4) Participation by Government-owned enterprises

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

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

(6) Bid Opening and Bid Evaluation

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

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

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

(7) Price Adjustment

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

(8) Rejection of Bids

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

(9) Securities

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

(b) alternative methods such as bid securing declaration may be acceptable, in which case the Borrower may require bidders to sign a declaration accepting that if they withdraw or modify their bids during the period of validity or they are awarded the contract and they fail to sign the contract or to submit a performance security before the deadline defined in the bidding documents, the bidder will be suspended for bidding in any contract with the implementing unit; and

(c) no advance payment shall be made to contractors without a suitable advance payment security. These securities shall be
included in the bidding documents in a text and format acceptable to the Association.

(10) **Right to inspect and audit**

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

(11) **Fraud and Corruption**

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

Definitions


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

3. “ESMF” means environmental and social management framework dated June 27, 2013, prepared and adopted by the Recipient for the Project and satisfactory to the World Bank, consisting of the set of mitigation, monitoring, and institutional measures required for the Project and to be taken to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, as well as actions needed to implement said measures, including the measures and information required for the preparation of site-specific environmental management plans and checklists.

4. “Hot-Spots’ means a coastal area where the environment is subject to pollution due to intense human activities regardless of their location and source, which potentially affect public health, threaten biodiversity, degrade ecosystem services and put at risk the prospects for sustainable development both on the spot but also in a wider area.

5. “Incremental Operating Costs” means incremental operating costs incurred by the PMT on account of Project implementation, management, monitoring and supervision (as such expenditures are set forth in the PMT annual budget), including office supplies, office equipment maintenance, communications, evaluation and dissemination of technical solutions, Project results and lessons learned (through publications, web-supported instruments and workshops), travel and per diem, translation, audit reports, bank fees, vehicle operation and
maintenance and salaries of the PMT staff (but excluding salaries of civil servants of the Recipient).

6. “J.P. Deponija d.o.o. Mostar” means the solid waste management company of that name incorporated in Bosnia and Herzegovina on January 28, 2009, pursuant to a decision of the Mostar City Council held on November 27, 2007, or any legal successor thereto.

7. “MoFTER” means the Recipient’s Ministry of Foreign Trade and Economic Relations, or its legal successor.

8. “PMT” means the Project Management Team established within MoFTER, and referred to in Section I.A.1 of Schedule 2 to this Agreement, responsible for implementation of the Project.

9. “Project Operations Manual” or “POM” means the operations manual for the Project, dated October 17, 2013, adopted by the Recipient, and referred to in Section I.A.3 of Schedule 2 to this Agreement, satisfactory to the Bank, describing and setting forth procedures for implementation of the Project and institutional arrangements, including coordination among the Recipient and the Republic of Croatia, consistent with the provisions of this Agreement and with applicable laws and regulations and including, among other things, timetables of actions required to be carried out under the Project, the respective roles and responsibilities of the agencies involved in the implementation of the Project, staffing, the fiduciary, technical and operational aspects and procedures for implementation of the Project, including the financial management procedures (budgeting, accounting and internal control, disbursement and flow of funds, financial reporting, annual reports, internal and external audit arrangements procedures and including the Project specific chart of accounts), procurement procedures, monitoring and evaluation arrangements, and other fiduciary and administrative arrangements and necessary terms of reference, as the same may be amended from time to time by agreement with the Bank.

10. “Project Steering Committee” means the project steering committee for the Project referred to in Section I.A.2 of Schedule 2 to this Agreement.