

Document of
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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF

SDR 65 MILLION
(USD 100 MILLION EQUIVALENT)

IN IDA CRISIS RESPONSE WINDOW RESOURCES

TO

BOSNIA AND HERZEGOVINA

FOR A

FLOODS EMERGENCY RECOVERY PROJECT

June 23, 2014

Sustainable Development Department
Southeast Europe Country Unit
Europe and Central Asia Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective May 31, 2014)

Currency Unit	=	BiH Convertible Mark (BAM)
1 BAM	=	0.70 USD or 0.45 SDR
1 SDR	=	1.54 USD or 2.21 BAM
1 USD	=	0.65 SDR or 1.44 BAM

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ACS	Administrative and Client Support
APCU	Agriculture Project Coordination Unit
ARDP	Agriculture and Rural Development Project
BAM	BiH Convertible Marka
BD	Brčko District
BH MAC	Bosnia and Herzegovina Mines Action Center
BiH	Bosnia and Herzegovina
CEB	Council of Europe Bank
CRW	Crisis Response Window
DA	Designated Account
DRM	Disaster Risk Management
EBRD	European Bank for Reconstruction and Development
ECA	Europe and Central Asia
EIB	European Investment Bank
EMP	Environmental Management Plan
ERR	Economic Rate of Return
ESMF	Environmental and Social Management Framework
ESSF	Environmental and Social Safeguards Framework
EU	European Union
FBiH	Federation of Bosnia and Herzegovina
FCCE	Fragile, Capacity Constraint and Emergency
FM	Financial Management
GDP	Gross Domestic Product
GEF	Global Environment Facility
ICPDR	International Commission for the Protection of the Danube River
IDA	International Development Association
IDP	Irrigation Development Project
IFR	Interim Financial Report
IMF	International Monetary Fund
IPA	Instrument for Pre-Accession Assistance
ISP	Implementation Support Plan
ITF	International Trust Fund for Demining and Mine Victim Assistance
KfW	<i>Kreditanstalt für Wiederaufbau</i> (German Development Bank)
M&E	Monitoring and Evaluation
MoAFWM	Ministry of Agriculture, Forestry and Water Management (RS)

MoAWMF	Ministry of Agriculture, Water Management and Forestry (FBiH)
MoFT	Ministry of Finance and Treasury
ORAF	Operational Risk Assessment Framework
PDO	Project Development Objective
PIT	Project Implementation Team
PIU	Project Implementation Unit
RAP	Resettlement Action Plan
RNA	Recovery Needs Assessment
RPF	Resettlement Policy Framework
RS	Republika Srpska
SC	Steering Committee
SDR	Special Drawing Rights
SME	Small and Medium Enterprises
SOE	Statement of Expenses
TA	Technical Assistance
TTL	Task Team Leader
UN	United Nations
UNDP	United National Development Program
USD	United States Dollar
WHO	World Health Organization

Regional Vice President:	Laura Tuck, ECAVP
Country Director:	Ellen A. Goldstein, ECCU4
Sector Director:	Laszlo Lovei, ECSSD
Sector Manager:	Sumila Gulyani, ECSUW
Task Team Leaders:	David Michaud, ECSUW & Goran Tinjic, ECCBM

BIH FLOODS EMERGENCY RECOVERY PROJECT

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Map

PAD DATA SHEET*Bosnia and Herzegovina**BiH Floods Emergency Recovery Project (P151157)***PROJECT APPRAISAL DOCUMENT***EUROPE AND CENTRAL ASIA**ECSUW*

Report No.: PAD1083

Basic Information			
Project ID P151157	EA Category B - Partial Assessment	Team Leaders David Michaud / Goran Tinjic	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints [X] - Fragile within a non fragile country - Natural or man made disaster country		
	Financial Intermediaries []		
	Series of Projects []		
Project Implementation Start Date 01-Jul-2014	Project Implementation End Date 31-Dec-2018		
Expected Effectiveness Date 26-Sept-2014	Expected Closing Date 31-Dec-2018		
Joint IFC No			
Sector Manager Sumila Gulyani	Sector Director Laszlo Lovei	Country Director Ellen A. Goldstein	Regional Vice President Laura Tuck
Recipient: Bosnia and Herzegovina / Ministry of Finance and Treasury			
Responsible Agency: FBiH Ministry of Finance			
Contact: Telephone No.:	Ante Krajina 387-33-203 147	Title: Email:	Minister infor@fmf.gov.ba
Responsible Agency: RS Ministry of Finance			
Contact: Telephone No.:	Zoran Tegeltija 387-51-339768	Title: Email:	Minister mf@mf.vladars.net
Safeguards Deferral (from Decision Review Decision Note)			
Will the review of Safeguards be deferred? [X] Yes [] No			
Project Financing Data(in USD Million)			
[] Loan	[] IDA Grant	[] Guarantee	
[] Credit	[] Grant	[X] Other: IDA Credit from CRW	

Total Project Cost:	100.00	Total Bank Financing:	100.00
Financing Gap:	0.00		

Financing Source	Amount
Borrower	0.00
IDA Credit from CRW	100.00
Total	100.00

Expected Disbursements (in USD Million)

Fiscal Year	2015	2016	2017	2018	2019				
Annual	30.00	20.00	20.00	20.00	10.00				
Cumulative	30.00	50.00	70.00	90.00	100.00				

Proposed Development Objective(s)

The Project Development Objective (PDO) is to meet critical needs and restore functionality of infrastructure essential for public services and economic recovery in floods affected areas.

Components

Component Name	Cost (USD Millions)
Component 1: Emergency Disaster Recovery Goods	40.0
Component 2: Rehabilitation of Key Public Infrastructure	57.0
Component 3: Project Implementation Support and Capacity Building	3.00

Institutional Data

Sector Board

Urban Development

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Agriculture, fishing, and forestry	Irrigation and drainage	25		
Energy and mining	General energy sector	25		
Transportation	General transportation sector	25		
Water, sanitation and flood protection	General water, sanitation and flood protection sector	25		
Total		100		

I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

Themes

Theme (Maximum 5 and total % must equal 100)			
Major theme	Theme	%	
Social protection and risk management	Natural disaster management	100	
Total		100	
Compliance			
Policy			
Does the project depart from the CAS in content or in other significant respects?	Yes []	No [X]	
Does the project require any waivers of Bank policies?	Yes []	No [X]	
Have these been approved by Bank management?	Yes []	No []	
Is approval for any policy waiver sought from the Board?	Yes []	No [X]	
Does the project meet the Regional criteria for readiness for implementation?	Yes [X]	No []	
Safeguard Policies Triggered by the Project	Yes	No	
Environmental Assessment OP/BP 4.01	X		
Natural Habitats OP/BP 4.04		X	
Forests OP/BP 4.36		X	
Pest Management OP 4.09		X	
Physical Cultural Resources OP/BP 4.11		X	
Indigenous Peoples OP/BP 4.10		X	
Involuntary Resettlement OP/BP 4.12	X		
Safety of Dams OP/BP 4.37		X	
Projects on International Waterways OP/BP 7.50	X		
Projects in Disputed Areas OP/BP 7.60		X	
Legal Covenants			
Name	Recurrent	Due Date	Frequency
Federation Steering Committee		31-Aug-2014	
Description of Covenant			
The Recipient shall cause the Federation to establish a Federation Steering Committee, with representation and terms of reference satisfactory to the Association, by no later than August 31, 2014.			
Name	Recurrent	Due Date	Frequency
RS Steering Committee		31-Aug-2014	
Description of Covenant			
The Recipient shall cause the RS to establish an RS Steering Committee, with representation and terms of reference satisfactory to the Association, by no later than August 31, 2014.			

Name	Recurrent	Due Date	Frequency
Brčko District Steering Committee		31-Aug-2014	
Description of Covenant			
The Recipient shall cause Brčko District to establish a Brčko Steering Committee, with representation and terms of reference satisfactory to the Association, by no later than August 31, 2014.			
Conditions			
Source Of Fund	Name	Type	
IDAW	Project Agreement	Effectiveness	
Description of Condition			
A Project Agreement has been executed on behalf of the Association and a Project Implementing Entity on terms and conditions satisfactory to the Association.			
Source Of Fund	Name	Type	
IDAW	Subsidiary Agreement and Operating Manual	Effectiveness	
Description of Condition			
For the Project Implementing Entity which has met the condition contained in Section immediately above (Project Agreement):			
(i) a Subsidiary Agreement has been executed on behalf of the Recipient and said Project Implementing Entity; and			
(ii) the said Project Implementing Entity has adopted a Project Operation Manual in respect of its part(s) of the Project.			
Source Of Fund	Name	Type	
IDAW	Federation Disbursement Conditions	Disbursement	
Description of Condition			
Under Categories (1) and (2) ¹ unless:			
- the Federation Project Agreement between the Association and the Federation has been executed;			
- the Federation Subsidiary Agreement has been executed on behalf of the Recipient and the Federation;			
- the Federation has adopted a Project Operation Manual satisfactory to the Association.			
Source Of Fund	Name	Type	
IDAW	RS Disbursement Conditions	Disbursement	
Description of Condition			
Under Categories (3) and (4) unless:			
- the RS Project Agreement between the Association and the RS has been executed;			
- the RS Subsidiary Agreement has been executed on behalf of the Recipient and the RS;			
- the RS has adopted a Project Operation Manual satisfactory to the Association.			

¹ Refer to Annex 3 for Disbursement Table and categories

Source Of Fund	Name	Type			
IDAW	Brčko District Disbursement Conditions	Disbursement			
Description of Condition					
Under Categories (5) and (6) unless: - the RS Project Agreement between the Association and the RS has been executed; - the Brčko District Subsidiary Agreement has been executed on behalf of the Recipient and the RS; - the RS has adopted a Project Operation Manual satisfactory to the Association.					
Source Of Fund	Name	Type			
IDAW	Federation Safeguards Disbursement Condition	Disbursement			
Description of Condition					
Under Category (2) unless the Federation has adopted and published an ESMF and RPF.					
Source Of Fund	Name	Type			
IDAW	RS Safeguards Disbursement Condition	Disbursement			
Description of Condition					
Under Category (4) unless the RS has adopted and published an ESMF and RPF.					
Source Of Fund	Name	Type			
IDAW	Brčko District Safeguards Disbursement Condition	Disbursement			
Description of Condition					
Under Category (6) unless the RS has adopted and published an ESMF and RPF.					
Team Composition					
Bank Staff (refer to Annex 6 for full list)					
Name	Title	Specialization	Unit		
David Michaud	Senior Water and Sanitation Specialist	Task Team Leader	ECSUW		
Goran Tinjic	Senior Operations Officer	Co Task Team Leader	ECCBM		
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Bosnia and Herzegovina	Federation of Bosnia and Herzegovina	Federation of Bosnia and Herzegovina	X		
Bosnia and Herzegovina	Republika Srpska	Republika Srpska	X		
Bosnia and Herzegovina	Brčko	Brčko	X		

BOSNIA AND HERZEGOVINA FLOODS EMERGENCY RECOVERY PROJECT

I. STRATEGIC CONTEXT

A. Country Context

1. **The political system in Bosnia and Herzegovina (BiH) is complex**, reflecting the provisions of the country's constitution. BiH consists of two entities —Federation of Bosnia and Herzegovina (FBiH) and Republika Srpska (RS) – and Brčko District (BD). The State itself is governed by a Council of Ministers; each entity has its own government and local government units (municipalities). Brčko District, being much smaller, does not have sub-jurisdictions. In the FBiH, 10 cantons, each with its own government, represent an additional layer between the Government of the FBiH and municipalities.

2. **BiH's economic situation is fragile.** After the end of the war in 1995, BiH experienced a robust recovery for more than a decade. Between 1998 and 2008, per capita GDP nearly quadrupled and poverty dropped from about 20 percent to about 14 percent. However, this impressive progress has been arrested by the impact of the global economic crisis. Low growth has translated into record high levels of unemployment, and once again, increasing poverty. Alarming high unemployment of 27 percent is especially prevalent among youth at close to 63 percent. Prior to the devastating floods of May 2014, economic growth was projected to increase from 1.8 percent in 2013 to about 2.0 percent in 2014, and to accelerate to 3.5 percent in 2015. As a result of the losses and damages caused by the floods however, the nascent economic recovery will be reversed in 2014. Early estimations by the Bank team suggest that economic growth is likely to turn negative, to a projected -1.1 percent for 2014.

3. **BiH is vulnerable to natural hazards, particularly floods, droughts, heavy snowfalls and landslides.** There has been increased frequency and severity of these phenomena, in particular floods, over recent years. The most vulnerable regions are the areas around the largest rivers such as Sava, Drina, Bosna, and Vrbas, which have many agriculture holdings, growing SME sector and industrial facilities, including for energy production, and touristic sites.

B. Situations of Urgent Need of Assistance²

4. **An unprecedented³ rainfall started in early/mid-May 2014 and resulted in massive floods and declaration of a state of emergency on May 14, 2014** in affected municipalities of both entities as well as in the Brčko District. As of end-May 2014, 25 people had died, about 90,000 people had been evacuated, and about 1 million or one-fourth of the total population had been directly affected in around 60 of BiH's 142 municipalities. The affected area covers more than one-third of the country's territory, and the massive floods have caused over 3,000 landslides. A quantified assessment is on-going at the time of closure of this document, but early estimates indicate an overall impact of around USD 1.6 billion of physical damage (8% of GDP) and USD 1.2 billion of economic loss (6% of GDP) from the floods.

5. **Preliminary evidence shows that the largest impact was on infrastructure relating to housing, local services, energy, transport, water and sanitation and agriculture.** Severe damage has been reported to electricity distribution systems and one of the mines supplying the key power generation plant of Tuzla, which supplies over 20 percent of country's demand. In

² Annex 2 contains a more detailed description of the current situation by priority sector.

³ The rainfall and associated flooding was the worst since the beginning of records 120 years ago.

many locations urban, industrial and rural areas were completely covered with water, cut off and without electricity, transport or communication. The event temporarily deprived an estimated 1 million people (25% of the country's total population) of drinkable water. An influx of raw sewage and animal carcasses has increased disease risks. Rough estimates are that around 100,000 homes and other buildings, as well as 230 schools and hospitals, have been damaged or destroyed, in addition to significant damage to other public infrastructure. Landslides and erosion by the sediment-loaded rivers caused substantial damage to houses and public infrastructure at many locations and washed away 20 bridges. Traffic was disrupted along many national roads and railways in the region, and telecommunication lines were disturbed in these areas.

6. The Bank's response to the floods has been prompt, with strong contribution and leadership for the joint damage and needs assessment. A Recovery Needs Assessment (RNA) is being prepared by the Government with support from the EU, UN and the World Bank. The RNA, which began on May 29, 2014, is on-going at the time of closure of this document and should be completed by June 18, 2014. The RNA will provide a basis to develop effective infrastructure and services rehabilitation measures in the affected areas. In order to participate in the RNA and take the lead of some of its sectors, the Bank has mobilized expertise from the Disaster Risk Management and other Global Practices regionally and globally.

7. The Bank's response will include a wide range of multi-sectoral interventions using several instruments. The first element of the Bank's financing response is the emergency operation proposed in this Project Appraisal Document and focused on the priority sectors of Agriculture and Rural Development, Energy, Transport and Water and Sanitation. In view of the situation, USD 100 million is sought from the IDA Crisis Response Window (CRW)⁴. The second element consists of a portfolio review to identify projects that could be restructured to allow support in the most efficient way. A third element will focus on the longer-term impact and how to move from a reactive disaster and floods response to a more proactive disaster management approach; this element will be tackled through existing and planned projects and TAs⁵.

C. Sectoral and Institutional Context

8. The following paragraphs provide a brief sectoral and institutional context for flood management in BiH and for the priority sectors contemplated under the emergency operation:

- **Disaster Preparedness:** BiH had undertaken some important steps in improving disaster preparedness and response. A Framework Law on Protection and Rescue of People and Material Goods against Natural or other Disasters in Bosnia and Herzegovina was passed in 2008. This Law prescribed the founding of an Operational - Communicational Centre in BiH. The Centre has been operational since 2010 and operational centers of other

⁴ A technical briefing to the Board of Executive Directors on May 30, 2014 informed the Executive Directors of Management's intention to allocate resources from the IDA Crisis Response Window to support BiH's response to the floods. The technical note titled "IDA Crisis Response Window (CRW) Support for Floods Emergency Recovery in Bosnia and Herzegovina" is being presented to the Board in parallel with this Project Appraisal Document.

⁵ Including the recently-approved BiH Drina Flood Protection Project that will fund protective infrastructure on the Drina River; the proposed Global Environment Facility (GEF) Drina River Basin Management Project (USD10 million) that will provide TA, hydro-meteorological equipment; and the committed, West Balkan Investment Framework-funded TAs to develop an Investment Prioritization Framework for the Drina basin to develop and implement a regional Joint Flood Management Strategy for the Sava River.

levels of government are connected to it. A Risk Assessment regarding Natural and Other Disasters has also been developed and was adopted in 2012.

- **Flood Management:** Despite improved emergency services, the regular occurrence of floods continues to represent a substantial livelihood risk in BiH, as demonstrated during floods in December 2010 and again in May 2014. Several studies and plans exist that analyze water management and flood protection, including the International Commission for the Protection of the Danube River (ICPDR) Danube River Basin Management Plan (2004) and Flood Management Strategy (2006) and the Sava River Basin Management Plan and Flood Management Strategy (2013). While these plans comply with the European Union (EU) Water Directive, they focus on water and ecological quality. They also set generic policy principles for flood management, but will need to be complemented with more locally-specific operational guidance as well as proposals for concrete investments.
- **Agriculture:** The agricultural sector, which represents slightly less than 10 percent of GDP but 20 percent of overall employment, remains in a state of transition with a majority of very small farms and a growing number of larger commercial farms that acquired land through leasing arrangements with municipalities and other parties. While significant issues remain to be resolved in harmonizing legislation at all levels, institutions involved in the agricultural sector at the entity level have gained capacity and competence in executing their respective mandates. Over the past decade the country has been confronted with increasingly dry and hot summers that make irrigation of higher value crops a strict necessity; proper pasture management has become increasingly difficult due to a lack of water points for cattle.
- **Energy:** After a sharp contraction during the 1990s, the energy sector in BiH has recovered; since the early 2000s, final energy consumption has increased by 55 percent. There are three power utilities (in Sarajevo, Trebinje and Mostar) performing generation, distribution, trade and supply in their respective license areas, and about 1.3 million registered electricity users. Coal-fired power plants account for about 60 percent of total generation, with hydro power plants providing the balance. More than 95 percent of generation capacities are owned by the three major utility companies. All thermal power plants operate with domestic coal (lignite and brown coal). The coal is supplied mostly from open mines, also mainly owned and operated by the three power utilities. The transmission system is owned by the transmission company based in Banja Luka and operated by an Independent System Operator; the distribution system is operated by fourteen distribution companies.
- **Transport:** The total length of the road network in BiH is approximately 22,600 km and consists of the following: i) 84 km of highways; ii) 3,800 km of main roads (out of which almost 1000 km are “European roads”); iii) 4,800 km of regional roads and iv) 14,000 km of local roads. The BiH railway network extends over 1,031 kilometers. The sector’s institutional arrangements are complex. Eighteen distinct bodies are assigned responsibilities for managing the main and regional road networks in BiH. In the FBiH, the main road network is managed by the FBiH Road Directorate. The second tier roads (regional roads) are managed by the road directorates in the respective cantons. At the third tier, local roads are managed by the municipalities. This three-tier system reflects the constitutional structure of the FBiH, but it is not optimal for the management of a road network in a relatively small area. The management of the main and regional network in the RS is undertaken by the Public Company Republika Srpska Roads, and the

management of the local roads is the responsibility of the municipalities. In Brčko District, the Administrative District Council is responsible for the roads within its jurisdiction.

- **Water and Sanitation:** Access to water supply is close to 100 percent, with around 85 percent through piped water.⁶ Access to sewer services is much lower and limited to urban areas and towns. It is estimated that about 35 percent of the overall population and 65 percent of the urban population benefits from sewerage systems, with the rest using septic tanks or on-site solutions. In urban areas and larger towns, water and sanitation services are generally provided by water companies owned by local governments, which also appoint their management. A significant share of the population, in particular in rural areas, relies on self-supply (through wells or mini-systems) or receives water from community-managed small systems. There is no single line ministry or regulatory authority overseeing the water and sanitation sector in either entity, and decisions are largely made at the local level.

D. Higher Level Objectives to which the Project Contributes

9. **The higher level objective to which the project seeks to contribute is to restore Bosnia and Herzegovina to a growth path following devastating floods.** While the economic impact of the floods is yet to be fully assessed, short-term growth prospects are expected to be compromised. Nonetheless, international experience suggests the resumption of growth, albeit from a lower base, once reconstruction gets fully underway. This project will ensure that such reconstruction does get underway and set a basis for resumed economic growth.

10. **While addressing an immediate and urgent crisis, the design of the Project ensures that it also contributes to the wider strategies of the Bank’s Europe and Central Region (ECA), as well as the Bank’s twin goals of ending extreme poverty and promoting shared prosperity.** Disasters triggered by natural events have a disproportionate impact on the poor. The proposed operation is therefore expected to have positive effects on the poor by providing rapid rehabilitation and recovery to ensure the continuity of development plans, targeted at addressing the needs of the poor. It will also ensure that resources are quickly available to respond to the needs of the affected population as has been the case in other countries.

11. **The design of the project follows the Bank’s good practices guidance in terms of emergency responses.** In promoting resilience building in the aftermath of a disaster under the principles of “building back better”, the project is fully aligned with relevant Bank sector policies and strategies, such as “Acting Today for Tomorrow” (2012), and guidelines built on the Bank’s global experience in “Building Resilience – Integrating Climate and Disaster Risk into Development” (2013), and “Safer Homes, Stronger Communities – A Handbook for Reconstruction after Natural Disasters” (2010).

II. PROJECT DEVELOPMENT OBJECTIVE

12. **The Project Development Objective (PDO)** is to meet critical needs and restore functionality of infrastructure essential for public services and economic recovery in floods affected areas.

⁶ Source: Joint Monitoring Program

13. **Project Beneficiaries:** The potential project beneficiaries are the 1 million people living in flood-affected areas of the RS, the FBiH, and BD. Sub-project activities and direct project beneficiaries will be selected based on a prioritization process taking into account the on-going Recovery Needs Assessment⁷, as described in Annex 2.

14. **PDO Level Results Indicators:** The following performance indicators will be monitored on a regular basis to measure achievement of the project development objectives:

- Emergency goods distributed by entity-level strategic reserves (USD);
- Public service infrastructure facilities recovered to pre-floods condition with Project support (#);
- Direct Project beneficiaries (#), of which women (%).

III. PROJECT DESCRIPTION

A. Project Components

15. The Project consists of three components: (1) Emergency Disaster Recovery Goods; (2) Rehabilitation of Key Public Infrastructure; and (3) Project Implementation Support and Capacity Building.

16. **Component 1: Emergency Disaster Recovery Goods (USD40.0 million).** The recent floods have created significant strains on the supply chains for a variety of goods crucially needed to ensure the continuity of public services and economic opportunities. For example, some coal mines have been flooded, resulting in a restriction of supply to the main thermal power plants. The flooded areas traditionally have been oriented towards agriculture and agribusiness, which were severely affected by the floods, resulting in fodder and forage shortages and an urgent need for seeds and fertilizers for reseeded. The Project will therefore finance, through the use of a positive list, the purchase of goods urgently needed during the recovery phase. The positive list will include logistical goods, reconstruction goods, emergency goods, energy and power sector goods as well as agricultural recovery goods, with an initial priority set of fuel and food, agricultural and emergency goods. See Annex 2 for further details.

17. **Component 2: Rehabilitation of Key Public Infrastructure (USD57.0 million).** Component 2 will support the rehabilitation of both local and regional public infrastructure on the basis of the RNA. The impact of the floods was concentrated on around 60 municipalities in the central, northwest and northeast parts of the country; in many of these, public services delivery was severely impacted. This Component will therefore finance the rehabilitation or reconstruction of high priority, public service delivery infrastructure in the worst-affected areas. This component is designed under a framework approach in which activities will be identified in a demand-driven manner, based on the on-going RNA. The project will put particular emphasis on Rural Development, Energy, Transport and Water and Sanitation activities but other public services (education, health) will be considered on a case-by-case basis. The Component will be divided in two Subcomponents that will follow somewhat different project cycles, depending on whether the infrastructure is local or regional (see Annex 2 for details).

18. **Subcomponent 2A: Regional Infrastructure Rehabilitation (USD30.0 million).** Subcomponent 2A will support the rehabilitation of strategic, regional-level public infrastructure

⁷ The assessment is prepared at the level of every affected municipality.

such as transport links, distribution and transmission infrastructure, dikes and other strategic public infrastructure. Definition of the priorities for Subcomponent 2A activities will be based on the on-going RNA, as well as availability of other sources of funding. Overall sector financial envelopes will be set at the entity level by the Steering Committees; Entity line ministries will then take the lead in defining concrete activities for their sector and provide the Project Implementation Units (PIUs) with a list of relevant activities.

19. *Subcomponent 2B: Local Infrastructure Rehabilitation (USD27.0 million).* Subcomponent 2B will be focused on local-level infrastructure, such as water supply schemes, local roads and bridges, etc. The implementation process for Subcomponent 2B will be based on a sequence of steps consisting of allocating resources across the most affected municipalities, allowing municipalities to prioritize activities, and bundling those activities into larger packages procured by the PIUs. The first step is to carry out the RNA. Subsequent steps will proceed immediately thereafter, in parallel with the formal project approval and effectiveness process. The Project's Operating Manual will provide further details on the process and in particular on the allocation of funds and prioritization of municipalities.

20. *Component 3: Project Implementation Support and Capacity Building (USD3.0 million).* This component will finance the management of the Project and any support needed for the identification and implementation of sub-activities. The component will also provide technical assistance and capacity building to help ensure future improved disaster resilience. There will be two Subcomponents.

21. *Subcomponent 3A: Project Implementation Support (USD2.0 million).* The Subcomponent will cover the incremental costs (staff, equipment, operating costs etc.) of the PIUs housed in the respective entity level Ministries of Agriculture, Water Management, and Forestry. These units, which are already managing several Bank-funded projects, will hire/supplement the required staff to carry out the responsibilities of the PIU, including coordination, reporting, financial management, procurement, and social and environmental safeguards (see Implementation Arrangements, Section IV). Furthermore, the PIUs will also need international technical assistance to extend their capacity in the new areas covered under this Project. This Subcomponent will also cover the costs of a small project implementation team (PIT) that will be established in Brčko to oversee and coordinate the project activities. Finally the Subcomponent will also cover any necessary monitoring and evaluation, as well as auditing costs.

22. *Subcomponent 3B: Capacity Building for Disaster Resilience (USD1.0 million).* The aim of this Subcomponent is to improve BiH's capacity to move to a more proactive approach to risk management, rather than a responsive approach. The project would support improving disaster resilience capacity at the national level and at the local level through strengthening knowledge on risk assessment, planning, workshops, drills and targeted training for decision makers, practitioners and communities. The implementation of this component would complement and be closely coordinated with the existing Bank engagement in the Flood Management field notably through the recently approved BiH Drina Flood Protection Project that will fund protective infrastructure on the Drina River; the proposed Global Environment Facility (GEF) Drina River Basin Management Project (USD10 million) that will provide TA and hydro-meteorological equipment; and the committed, West Balkan Investment Framework-funded TAs to develop an Investment Prioritization Framework for the Drina basin to develop and implement a regional Joint Flood Management Strategy for the Sava River.

B. Project Financing

Lending Instrument

23. The lending instrument would be an Investment Project Financing (IPF) prepared as Fragile, Capacity Constraint and Emergency Project under condensed process.

Project Cost and Financing

24. The total cost of the project is USD 100 million, to be financed entirely through an IDA Credit of SDR 65 million (USD 100 million equivalent) from the Crisis Response Window. Blend terms will apply (with a maturity of 25 years, a grace period of 5 years, a 1.25 interest charge, and with principal repayable at 3.3 percent per annum for years 6-15 and 6.7 percent per annum for years 16-25).

(In Millions of USD) Project Components	Project Cost	IDA Financing	% Financing
Component 1: Emergency Disaster Recovery Goods	40.0	40.0	100%
Component 2: Rehabilitation of Key Public Infrastructure	57.0	57.0	100%
Component 3: Project Implementation Support and Capacity Building	3.0	3.0	100%
Total Financing Required	100.0	100.0	100%

C. Lessons Learned and Reflected in the Project Design

25. Several lessons learned from previous Bank-financed activities in BiH and in other similar emergency operations in other countries have been reflected in the Project's design:

- **Simplified objectives and limited scope improve efficiency.** While the needs are significant, complex multi-sector operations are difficult to implement. The proposed Project thus focuses on three main issues: i) immediate financial support to ongoing recovery activities; ii) support to public infrastructure; and iii) technical assistance to advance disaster risk management capacity.
- **Emergency operations should complement other World Bank and donor post-crisis assistance.** Emergency operations are typically part of a broader strategy with a specific focus on swiftly restoring key public services and rehabilitating key infrastructure. The proposed Project will effectively complement the World Bank's efforts in early recovery which consist of three mutually reinforcing approaches: i) RNA in partnership with the BiH counterparts, EU and the UN; ii) the present Floods Emergency Recovery Operation; iii) possible restructuring of already-approved operations to respond to the needs for urgent recovery of economic opportunities in affected areas.
- **The country's organizational structure can present challenges for decision-making.** Due to the decentralized nature of the country, agreement on priorities for recovery at various administrative levels takes a substantial amount of time and disbursements can be quite slow. The project therefore concentrates decisions in just a few actors and implementation in a single PIU in each entity.
- **Taking advantage of existing implementation capacity facilitates an effective response to an emergency situation.** The Agriculture and Rural Development Project (P101213) was restructured in response to floods that affected the eastern part of the country in 2010, and the existing entity level project implementation agencies housed

within the ministries of agriculture and water management have demonstrated their ability to rapidly respond to the needs for priority public infrastructure repairs through partnership with the local governments. This Project will use the same PIUs.

- **Partnership with local governments in identifying priority investments increases ownership and accountability.** Assigning the decision making authority to identify priority investments as close as possible to affected persons has proven to improve ownership of the activities greatly. Furthermore, such an approach enhances the accountability of municipal authorities and the level of government which is closest to citizens. The Project will give the opportunity to local governments to set priorities among local interventions in order to achieve benefits with a direct impact on the lives of people in their respective communities.
- **Flexibility is important to allow activities that cannot be envisaged during the rapid preparation of an emergency operation.** Component 2 of the project is designed to allow the entity level Steering Committees and the local governments to support public infrastructure repairs that might not have been envisaged during the preparation but may prove vital for the recovery of certain communities and consistent with the principles of this Operation.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

26. The project will be implemented over four years. Institutional arrangements and responsibilities of the different institutions are outlined below.

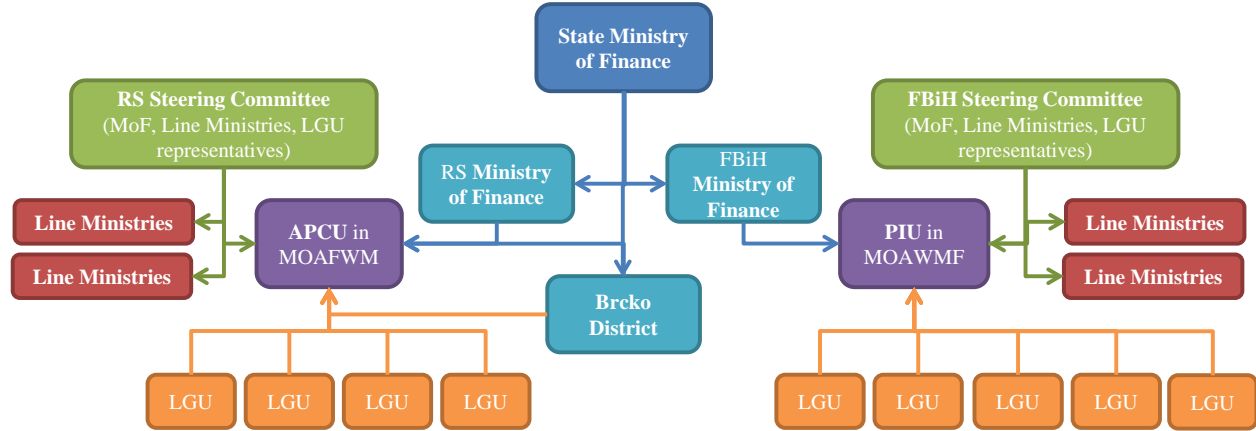
27. **Overall Arrangements.** Given the importance of delivering quick results, implementation will be based on existing structures, mechanisms and capacities built up through on-going Bank projects, including the Agriculture and Rural Development project (P101213), which also financed similar emergency response measures after more limited floods in 2010. The project activities will be implemented by the two entities (FBiH and RS) through an existing PIU in each entity, with the RS APCU also responsible for the BD part of the project, and take place in close coordination with other Line Ministries, under the overall guidance of a Steering Committee⁸. Local governments will play a strong role in setting priorities in particular under Component 2B. No funds will be directly implemented by other institutions or local government units.

28. **Project Implementation.** The project will be implemented by the Agricultural Projects Coordination Unit (APCU) under the Ministry of Agriculture, Forestry and Water Management (MoAFWM) in the RS, and the PIU under the Ministry of Agriculture, Water Management and Forestry (MoAWMF) in the FBiH. Both units have served as the focal units for preparing and implementing a number of donor-funded projects (including the on-going Irrigation Development Project (P115954), currently rated Moderately Satisfactory for Implementation Progress, and Agriculture and Rural Development Project (P101213), currently rated Satisfactory for Implementation Progress). In addition, both units have experience in working with each other on the same projects to reduce administrative burdens and facilitate implementation and problem

⁸ Both entities and Brčko District are in the process of setting up coordination mechanisms for the floods recovery response. Assuming that those mechanisms are put in place in a timely manner, they could serve as the steering committees for this project. If not, an ad-hoc project steering committee will be put in place in each.

resolution. The RS APCU will also be responsible for fiduciary aspects and contracting in the Brčko District part of the project, while a small project implementation team (PIT) will be established in Brčko to coordinate and oversee the respective project activities there.

Figure 1: Implementation Arrangements



29. **PIU Staffing and organization.** The APCU and Agriculture PIU have professional staff for some technical aspects (agriculture, water management), and for procurement, FM, safeguards and general project oversight. However, they will require strengthening to absorb the additional workload and extended technical scope associated with the Project. The additional necessary staff will be hired under Subcomponent 3A. Furthermore, because of the strong local dimension of the project, the APCU will consider working with the agricultural extension offices established by the RS MoAFWM, which are present throughout the RS, to coordinate closely with local governments; while the FBiH PIU will consider opening up to two additional field offices in the worst affected regions of the FBiH for the same purpose. See further details in Annex 3.

B. Results Monitoring and Evaluation

30. The Project defines the objectives and guiding principles for selecting activities to meet critical needs and restore functionality of infrastructure essential for public services and economic recovery in flood-affected areas. Specific activities by sector will be identified during implementation (framework approach), therefore the specific type and number of outputs expected is not known at the outset. In line with the 2013 Guidance Note for Projects in Situations of Urgent Need, the monitoring strategy selects indicators that would track progress and outputs, some for which targets have been defined and others for which they will be set at the beginning of implementation, once the prioritization of activities is completed. The selected project indicators will track: (i) implementation pace; (ii) expenditure efficiency (based on outputs); and (iii) due processes.

31. The project will be monitored by the APCU in the RS and BD, and the agriculture PIU in the FBiH. Considering the multi-sectoral nature of activities, the workload of the APCU and the Agriculture PIU and the extended technical scope associated with the Project, their M&E capacity will be strengthened if needed. Monitoring of results on the ground will be carried out with the support of the agricultural extension offices in the RS, additional field offices in the worst affected regions of the FBiH, and the PIT in BD. Information and data collected at the local level will feed into overall monitoring and evaluation (M&E) of the Project. The respective

Steering Committees will oversee M&E activities regularly through the project reports, evaluate the results achieved and guide the APCU and the PIU on corrective management actions.

C. Sustainability

32. **The long-term sustainability of the Project will depend on two main factors:** sustainability of the infrastructure rehabilitated or reconstructed under the project and introduction of a proactive disaster risk management approach through capacity building.

33. **Sustainability of infrastructure** would be considered as part of Component 2. APCU and PIU would develop mechanisms to ensure future operations and maintenance which would be incorporated into the process early on. Where appropriate sustainability measures would be built into the actual rehabilitation and reconstruction efforts. In addition the reconstruction will take into account the “build back better” principles to ensure better resilience of the infrastructure to future disasters.

34. **Introduction of a proactive disaster risk management system** may well go beyond the life of an emergency recovery operation but the Project will contribute to longer term sustainability by supporting a first round of training and capacity building activities on assessing the emergency response to floods of May 2014 and drawing lessons to improve emergency response capacity in the future, under Subcomponent 3B and other Bank activities.

V. KEY RISKS AND MITIGATION MEASURES

A. Risk Ratings Summary Table

Risk Category	Rating
Stakeholder Risk	Substantial
Country Risk	Moderate
Implementing Agency Risk	
- Capacity	Substantial
- Governance	Substantial
Project Risk	
- Design	Substantial
- Social and Environmental	Moderate
- Program and Donor	Low
- Delivery Monitoring and Sustainability	Moderate
Overall Implementation Risk	Substantial

B. Overall Risk Rating Explanation

35. **The overall risk rating for this operation is Substantial.** Given the prospect of general elections at State and Entity level in BiH scheduled for October 2014, there is a risk that commitment to urgently direct assistance to the affected areas will fade away as political parties start the election campaign. However, response to the floods disaster is likely to remain the highest priority for all levels of government in the country. It will also be in the interest of both the outgoing and incoming governments to demonstrate strong commitment to providing assistance to the most affected areas. In addition, the project design envisages that local governments, which will not be subject to the upcoming general elections, will have an important role in identifying priority investments under Subcomponent 2B.

36. **Effectiveness delays represent a chronic issue** due to the country's complex governance structure whereby the approval and ratification process involves state and entity level parliaments, the Council of Ministers, the entity and Brčko District governments, and the State Presidency. However, recently adopted changes to the legislation governing international agreements allow for the application of urgent, streamlined procedures for emergency operations. These procedures will be applied for the purposes of the project. Entities have already initiated preparation of the necessary documents for parliamentary approval of the credit which is necessary prior to the signing of the Project Agreements.

37. **The Project design and scope include investments in several sectors and across a potentially high number of government units.** The proposed PIUs have significant experience and a positive track record in implementation of Bank-financed operations. Their fiduciary and monitoring capacities will be strengthened for the purposes of this project. The PIUs will also mobilize support from other line ministries responsible for transport, energy and spatial planning. Upon project approval, Bank implementation support will focus on strengthening the capacity of the PIUs, enhancing their cooperation with other line ministries, and clarifying the role of the Steering Committees.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analysis

38. The proposed project is addressing the immediate needs in terms of goods, equipment and services arising from the recent floods, and will support the rehabilitation of damaged infrastructure and interrupted public services related to – among others – transport, energy, water supply and sanitation, and rural development. Being a need-based emergency recovery project, the investments will only be defined during implementation and the supporting economic analysis will have to rely on limited data and information to quantify costs and benefits.

39. **Emergency Disaster Recovery Goods (Component 1).** With interrupted supply chains due to damaged roads and defaulting services, there is an increased risk of further losses to be incurred by the already affected population, from interrupted power and water supplies and non-availability in proximity of commodities to maintain minimum consumption. By supporting emergency assistance to restore these public services the Project is preventing further welfare losses in the affected area. The analysis assumes that emergency measures extended under the Project will shorten the restoration period by 10 to 20 days in key sectors, e.g. energy supply, transportation and agriculture, compared to the scenario without the Project intervention. The benefit from the prevention of production loss for a 10 to 20 day power outage amounts to between USD15.8 and 31.5 million. The prevention of productivity loss due to further distances or longer time spent generates a benefit of USD5.7 million (for 10 days) and USD11.4 million (for 20 days). Shortening the restoration period of the agricultural production system for 10 days yields a prevented productivity loss of USD18.8 million and for 20 days, USD37.5 million. The expected benefits from only three interventions would range between USD40.3 to 80.4 million, generating a cost benefit ratio of 1.01 to 2.01. Refer to Annex 7 for further details.

40. **Rehabilitation of Key Public Infrastructure (Component 2).** This component assists in the rehabilitation/reconstruction of public infrastructure in rural development, energy supply, transport and water and sanitation, and will likely include activities such as rehabilitation, reconstruction of local roads and bridges, power transmission/distribution systems, water treatment plants and pumping stations and farming facilities. As the activities to be financed

under this component have not been fixed, the ERR figures of similar activities in other projects are indicated below for reference. Refer to Annex 7 for further details.

Table 1 Reference of ERR for potential activities to be financed under the project

Activity	ERR	Source
Rehabilitation/reconstruction of secondary roads	22%	Calculated specifically for this project
Rehabilitation of transmission/distribution system	35%	Palestine
	39%	Zambia
Water pipe connection	62%	Moldova
Rehabilitation works of rural infrastructure	14.3%	Madagascar

B. Technical

41. **The project does not involve particular technical challenges, and reconstruction will be based on the *build back better* principle.** All project activities are based on commodities or readily available goods (Component 1) or technologies (Component 2). Because much of the efforts are focused on rehabilitation or reconstruction of existing systems, uncertainties with regard to the design parameters are limited. Many of the project activities will not require a full design but will be based on standard technical specifications, which will be prepared for the entire project by consultants hired early in the implementation. For more complex activities, consultants will be contracted to prepare designs and supervise implementation. In the design and rehabilitation or reconstruction of project-funded infrastructure, particular care will be put into improving resilience of infrastructure to future flooding and landslide manifestation due to increased precipitation levels, as well as improved construction and efficiency standards (“*build back better*” concept). The project will not involve new facilities or significant expansion of existing systems. The following paragraphs describe technical appraisal for each priority sector.

- **Agriculture and Rural Development.** Activities in the Agriculture and Rural Development sector are expected to focus largely on providing agricultural inputs (seeds, seedlings, fertilizers, fodder) to affected areas (Component 1) and restoring rural infrastructure assets such as rural roads and bridges, drainage schemes etc. (Component 2). The rehabilitation or reconstruction of those simple infrastructures is not expected to generate technical challenges.
- **Energy / Power.** Over and above the possible provision of fuel and/or electricity, the project is expected to finance standard energy/power sector expenditures and investments, e.g. in power transmission and distribution equipment (mostly in the lower voltage categories), control and safety equipment/systems, and monitoring and metering equipment/systems. All of these use well proven, readily and commercially available technologies and equipment with which the Recipient and relevant stakeholders, notably the utility companies, have extensive previous experience. The Bank’s implementation support may advise on technical specifications as needed.
- **Transport.** The Project will support the application of clean-up and rehabilitation/reconstruction measures of the transport infrastructure (rail and roads) in the most affected municipalities. The rehabilitation will include debris removal, localized landslide remediation and retaining measures, drainage structure clean-up, pavement repairs and traffic furniture replacement and will be mostly executed within the existing horizontal alignments, with bridge, retaining wall and culvert repairs and reconstruction where appropriate.

- **Water Supply and Sanitation.** Technologies considered for municipal water supply and wastewater systems are proven and well established. Expected water supply activities might include the rehabilitation or reconstruction of surface or groundwater catchment facilities, water purification plants, pumping stations, transmission and distribution lines, as well as sewer networks and simple wastewater treatment plants. Proper design of hydraulic and electro-mechanical equipment will be conducted.

C. Financial Management

42. **The Bank carried out an assessment of financial management (FM) capacity in May 2014, and updated it for negotiations.** The assessment concluded that the FM arrangements are acceptable to the Bank and that the overall FM risk is moderate with the application of mitigation measures. Both APCU and PIU are currently implementing the Bank-funded Agriculture and Rural Development Project (ARDP) and Irrigation Development Project (IDP), which both have acceptable FM arrangements. The quarterly Interim Financial Reports (IFRs) are submitted regularly and there are no overdue audit reports.

43. **The APCU and PIU will maintain an FM system acceptable to the Bank.** The project financial statements, including Statements of Expenses (SOEs) and Designated Account (DA) Statements, will be audited by independent auditors acceptable to the Bank and on terms of reference acceptable to the Bank. The annual audited financial statements and the audit report will be provided to the Bank within six months of the end of each fiscal year. The APCU and PIU shall also prepare and furnish to the Bank 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 Bank.

D. Procurement

44. **Procurement for the proposed Project would be carried out in accordance with the World Bank’s “Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants” dated January 2011; and “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Recipients” dated January 2011; the Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits & Grants, and the provisions stipulated in the Legal Agreement.** Procurement under Emergency Procedures will be implemented as per OP 8.00, its *Guidance Note* and *Rapid Response to Crisis: Procedural Guidelines*.

45. **Project procurement activities will be implemented by the APCU in the RS and Brčko District, and the PIU in FBiH.** In both APCU and PIU there are two designated procurement staff, currently implementing the World Bank-funded Irrigation Development Project, with the appropriate experience and capacity to conduct procurement activities acquired under current and previous projects. The latest assessment of both PIUs in the system dates from June 2012. It has been updated for negotiations, concluding that both PIUs have the appropriate procurement implementation capacity, and rating the overall procurement risk as “low”.

E. Social (including safeguards)

46. **The project is expected to yield significant social benefits and livelihood opportunities through provision of high priority reconstruction and rehabilitation of public infrastructure in the worst affected municipalities.** Project support will include a participatory

and consultative approach to ensure community participation in the prioritization of the reconstruction process so as to adequately address differential impacts on, and recovery needs of, the affected vulnerable and marginalized families, specifically socially excluded groups, women-headed households, youth and disabled persons. The planned project activities are not expected to have negative social impacts, but rather positive ones aimed at restoring and building equitable access to improved and rehabilitated public services and supporting initiatives that promote community interaction and collaboration.

47. **The Bank Operational Policy on Involuntary Resettlement (OP 4.12) has been triggered** in view of the fact that the infrastructure rehabilitation and reconstruction works in some cases may lead to possible land acquisition. Land requirements are expected to be minor as the rehabilitation investments will be carried out mainly on municipally owned land, or other government owned land. However, restoration and/or rebuilding of damaged facilities might to some extent have adverse social impact if the works require some temporary acquisition of private land for securing the right-of-way. Since the size, scale and location of subprojects cannot be determined at the project preparation stage, the Resettlement Policy Framework (RPF) and Environment and Social Management Framework (ESMF) will be prepared to mitigate potential environmental and resettlement impacts.

48. **The project-supported activities will benefit both men and women.** No gender-related constraints are expected under the project activities, as these will rather generate positive impact and benefits for both women and men with their livelihoods improved through restoration and rehabilitation of flood-damaged public service infrastructure. The rehabilitated services will assist in restoring their livelihood and bringing back a sense of normalcy to their communities. With their houses and land flooded, property ruined and crops destroyed, the project is indeed expected to improve the current disastrous situation for the affected population. During the work on developing the RNA, special attention will be paid to secure meaningful consultations.

F. Environment (including safeguards)

49. **The Project is classified as environmental category “B”, in accordance with Operational Policy OP 4.01.** Since exact subprojects are not determined at the outset of the Project⁹ and will be decided based on demand and consultations with the concerned municipalities and communities, the appropriate instrument of OP 4.01 is an ESMF. It identifies the policy triggers for the Project, the screening criteria of subprojects, the environmental and social impacts for the likely subprojects and the measures to mitigate the identified risks, assessment of the institutional capacity of the implementing agency and measures for filling capacity gaps, and an estimate of the budget needed for the implementation of the ESMF and related instruments. The ESMF will directly provide a list of activities that cannot be financed, and screen out activities that correspond to Category A projects, or that may trigger additional safeguards policies.

50. **Given the emergency response nature of the project, in order to facilitate project processing, the World Bank team has prepared an Environmental and Social Safeguards Framework (ESSF)** that will help guide the Client in preparing the ESMF and RPF, including specific provisions of the safeguards-related exclusions. The ESSF sets out how the safeguard policies will be applied during the preparation and implementation of the project, including deferring the requirement for preparation and disclosure of the ESMF and RPF into the project

⁹ No subprojects of category “A” will be eligible for funding.

implementation stage. Preparation and disclosure of the ESMF and RPF will be a condition for disbursement of project funds under Components 2 and 3. The documents will be prepared in compliance with the Bank's OP 4.01 and OP 4.12 policies and relevant RS and FBiH legislation with the aim to minimize and mitigate adverse impacts on the environment and affected population. Both documents will be prepared following disclosure and public consultations in the areas that are also relevant for this project such as Bijeljina, Gorazde, Sarajevo and Banja Luka. The ESMF and RPF will be re-disclosed both in country and through the World Bank's Infoshop. As per the ESMF, subsequent Environmental Management Plans (EMPs) will also be prepared, with disclosure and public consultations in local municipalities. A Safeguards Action Plan has been prepared, and is attached to Annex 3 along with an exclusion list of activities that cannot be financed. The designated PIUs within the Entity Ministries of Forestry, Water Management and Agriculture have a long track record of implementing World Bank-supported projects and are familiar with the provisions of the Bank's safeguards policies relevant to this operation, herein the implementation and monitoring of the ESMF and related instruments. The PIUs will be strengthened with additional safeguards staff to help expedite the preparation process.

G. Other Safeguards Policies triggered

51. **The project triggers the International Waterways policy.** Proposed Project activities however only entail rehabilitation or reconstruction of existing infrastructure and as such fall under the exception to the notification requirement under paragraph 7(a) of OP 7.50, Projects on International Waterways. A memo outlining the rationale has been prepared by the team and exception has been granted by Bank Management. Adequate provisions will be made in the ESMF to ensure that the project financed activities do not adversely impact the quality or quantity of water to riparian countries.

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (OP/BP 4.01)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Natural Habitats (OP/BP 4.04)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Pest Management (OP 4.09)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Indigenous Peoples (OP/BP 4.10)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Physical Cultural Resources (OP/BP 4.11)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Involuntary Resettlement (OP/BP 4.12)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Forests (OP/BP 4.36)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Safety of Dams (OP/BP 4.37)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects on International Waterways (OP/BP 7.50)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Projects in Disputed Areas (OP/BP 7.60)*	<input type="checkbox"/>	<input checked="" type="checkbox"/>

* *By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas*

ANNEX 1: RESULTS FRAMEWORK AND MONITORING

BOSNIA AND HERZEGOVINA: FLOODS EMERGENCY RECOVERY PROJECT (P151157)

Results Framework

The Project Development Objective (PDO) is to meet critical needs and restore functionality of infrastructure essential for public services and economic recovery in floods affected areas.											
PDO Level Results Indicators*	Core	Unit of Measure	Baseline	Cumulative Target Values				Frequency	Data Source/ Methodology	Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3	YR 4				
Emergency goods distributed by entity-level strategic reserves		USD	0	TBD	TBD	TBD	TBD	Semi-annually	Financial Reports	Reserves, PIUs	Overall value of goods distributed by entity-level strategic reserves. Targets to be based on RNA
Public service infrastructure facilities recovered to pre-floods condition with Project support		Number	0	TBD	TBD	TBD	TBD	Semi-annually	Project reports, construction reports	PIUs	Number of Project activities completed successfully. Targets to be based on RNA
Direct Project beneficiaries	<input checked="" type="checkbox"/>	Number	0	TBD	TBD	TBD	TBD	Semi-annually	Municipal forms, progress reports	Municipalities, PIUs	End of project target and year end targets will be determined based on RNA
Of which female	<input checked="" type="checkbox"/>	Percent	0	51	51	51	51	Semi-annually	Census data	PIUs	Percentage of people who benefitted from the project who are females

INTERMEDIATE RESULTS											
PDO Level Results Indicators*	Core	Unit of Measure	Baseline	Cumulative Target Values				Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3	YR 4				
Intermediate Result (Component One): Emergency Disaster Recovery Goods											
Emergency disaster recovery goods purchased in line with the established schedule, percentage		Percent	0	40	90	100	100	Semi-annually	Financial Management Reports	PIUs	Disbursement level under Component 1.
Percentage of affected farms benefiting from Government support		Percent	0	TBD	TBD	TBD	TBD				
Intermediate Result (Component Two): Rehabilitation of Key Public Infrastructure											
Percentage of targeted municipalities that have identified, consulted and prepared final lists of priority local service activities for funding under the project according to project criteria		Percent	0	50	75	100	100	Semi-annually	Activity forms, progress reports	Municipalities, PIUs	Municipal forms received
Percentage of regional activities budget for which line ministries have presented final lists of priority activities according to project criteria		Percent	0	50	75	100	100	Semi-annually	Activity forms	Line Ministries, PIUs	Based on activity forms
Piped household water connections that are benefitting from rehabilitation of works undertaken under the project	<input checked="" type="checkbox"/>	Number	0	TBD	TBD	TBD	TBD	Semi-annually	Activity forms Feasibility Studies	Municipalities, PIUs	End of project target and year end targets will be determined based on RNA
Roads rehabilitated (km)	<input checked="" type="checkbox"/>	Km	0	TBD	TBD	TBD	TBD	Semi-annually	Activity forms Feasibility Studies	Municipalities, Line Ministries, PIUs	End of project target and year end targets will be determined based on RNA
Rural	<input checked="" type="checkbox"/>	Km	0	TBD	TBD	TBD	TBD				
Non-Rural	<input checked="" type="checkbox"/>	Km	0	TBD	TBD	TBD	TBD				
Distribution lines rehabilitated under the project	<input checked="" type="checkbox"/>	Km	0	TBD	TBD	TBD	TBD	Semi-annually	Activity forms Feasibility Studies	Distribution companies, PIUs	End of project target and year end targets will be determined based on RNA
Number of public infrastructure facilities rehabilitated (schools, health facilities, priority public buildings, drainage ditches)		Number	0	TDB	TDB	TBD	TBD	Semi-annually	Activity forms Feasibility Studies	Municipalities, Line Ministries, PIUs	End of project target and year end targets will be determined based on RNA
Intermediate Result (Component Three): Project Implementation Support and Capacity Building											
Number of public officials who successfully completed capacity building activity on disaster risk management		Number	0	0	0	15	30	Semi-annually	Event proceedings/ Progress Report	PIUs	

ANNEX 2: DETAILED PROJECT DESCRIPTION

A. Overall impact of floods on the priority sectors

1. **Overall Impact.** As mentioned in the main text, a Recovery Needs Assessment is ongoing at the time of closure of this document. Rough estimates are that around 100,000 homes and other buildings have been damaged or destroyed as well as 230 schools and hospitals, in addition to huge damage on other urban infrastructure. Landslides and erosion by the sediment loaded rivers caused substantial damage to houses and public infrastructure at many locations and washed away 20 bridges. Traffic was disrupted along many national roads and railways in the region, along with the disruption of telecommunication lines, all adding to the impact of the disaster. Many businesses in the flooded municipalities were severely damaged.

2. **Impact on Agriculture and Rural Development sector.** The recent rains had a devastating effect throughout central and Northeastern Bosnia and Herzegovina. The more mountainous areas have experienced numerous landslides and severe erosion and destruction of cultivated fields on hillsides as well as destruction of buildings and facilities as a result. Loss of field crops in the flooded areas is widespread especially in lower laying areas where water has pooled for more than 7 days and crop loss is total. Fruit trees that were fully submerged will not produce any useable fruit for the year and if the water level persisted for over 10 days trees might be lost altogether. Some areas were confronted with fast moving rushing water uprooting trees and perennial cultures and structures that will need full replacement and clean-up of the site before replanting, rebuilding. Where flood waters water have reached livestock operations decontamination will need to take place as manure and slurry storages would have overflowed and contaminated the entire operation even if livestock was moved to safety on time. Auxiliary facilities such as feed storages for poultry, pig and cows kept in feedlots were damaged wherever water levels reached them. Even where such storage were not fully submerged, the remaining stock are likely to become moldy, raising the risks of mycotoxin growth and thus unusable. Equipment and machinery supporting production in agriculture were damaged especially stationary equipment used for feed preparation, milking and cooling or part of value added chain such as sorting, packaging or processing.

3. **Impact on Energy sector.** The initial impact of the floods in the power sector was widespread and often devastating. Most importantly, more than one hundred thousand of customers lost power completely or intermittently. However, due to the efficient and effective response from the power utilities and distribution companies, the number of customers without power declined rapidly. The power generation facilities appear to have suffered no or limited direct damages. However, despite the successful initial recovery efforts and positive current assessment of direct impacts on the generation side, many challenges and expenditure/investment needs remain or are still emerging as the damage assessments progress further. Based on the information and assessments from the utility and transmission companies, the major impacts of the floods in the power sector include:

- Disruptions and damages to the medium and low voltage distribution lines; these could be further increased by landslides;
- Significant damages to a large number of substations, transformers etc.; increased level of malfunctions;
- Complete or partial destruction of end user metering equipment (potentially tens of thousands of customers) as well as systems monitoring and control equipment;

- Localized impacts on transmission lines, towers and systems, but subject to change if/when more damages are caused by landslides;
- One major open mine (Sikulje mine at the larger Kreka mining area, which supplies coal mainly to Tuzla power plant) completely flooded and with large scale drainage of water and mud as well as replacement or fixing of mining equipment and other infrastructure expected to be needed; additional damages have been identified on other mines in wider Tuzla area, but their impact is more limited ;
- Flooding of other facilities, including the complete flooding of a large warehouse and the equipment stored in it;
- Significant and potentially medium/long term indirect impacts as end customers' electricity use cannot be metered and billed and/or consumption is reduced due to lowered economic activity (e.g. in the agriculture and industrial sectors) .

4. **Impact on Transport sector.** Recent floods have caused substantial damage to transport infrastructure at many locations and damaged or destroyed 20 bridges. Traffic was disrupted due to high water levels and approximately 150 landslides, which have seriously affected 1100 km of main, regional and local roads and considerable lengths of railways in the region. The important M17 north-south corridor was particularly affected, with a bridge crossing the Bosna river heavily damaged and a landslide near the Kosova settlement temporarily interrupting traffic. The Sava operational ports at Samac and Brčko have also been seriously affected.

5. **Impact on Water and Sanitation sector.** Due to the decentralized nature of the water and sanitation industry in BiH, the exact scope of impact on the water and sanitation sector is still unknown. However, the Government has stated that at the peak of floods, around 1 million people were without access to drinking water. Flooding is known to have a durable impact on water quality because of water contamination through animal carcasses, damaged wastewater systems, washed away chemicals, fertilizers and pesticides etc. It is therefore likely that while most people will have recovered access to water service, water quality is still in a recovery phase, creating a potential health hazard. Additionally, there is anecdotal evidence that some water systems were affected more durably as key facilities were damaged by the floods.

B. Component 1: Emergency Disaster Recovery Goods

6. **The recent floods have created significant strains on the supply chains for a variety of goods crucially needed to ensure the continuity of public services and economic opportunities.** For example, some coal mines have been flooded, resulting in a restriction of supply to the main thermal power plants. The flooded areas traditionally have been oriented towards agriculture and agribusiness which were severely affected by the floods, resulting in fodder and forage shortages and an urgent need for seeds and fertilizers for reseeded. The Project will therefore finance, through the use of a positive list, the purchase of goods urgently needed during the recovery phase. The positive list will include:

- *Logistical goods:* including water, land and air transport equipment, including spare parts; communications equipment.
- *Reconstruction goods:* including construction materials; construction equipment and industrial machinery (including trucks, dozers, excavators); prefabricated houses.
- *Emergency goods:* including emergency and medical supplies and equipment; food and water containers; chemicals and equipment for water purification and sanitation of land, buildings and other structures; basic food commodities; cleaning and hygienic supplies;

mud and water pumping equipment; equipment and furniture for emergency shelters and accommodations; moisture removal equipment; emergency vehicles and supplies; waste management and disposal equipment.

- *Energy and power sector goods:* including petroleum and fuel products; power purchases; power transmission and distribution equipment; mining equipment and pumps to remove water from mines, controls, monitoring and measurement equipment; emergency power generators; and other electrical equipment.
- *Agricultural recovery goods:* including agricultural equipment and immovable productions systems such as greenhouses, milking parlors and auxiliary installations, sorting or packaging equipment; inputs (excluding pesticides); such as seedlings for perennial crops, orchards and wine yards as well as seeds and fertilizer for reseeded fields; as well concentrated animal forage and fodder stocks that were destroyed by floods; livestock.
- *Other Essential Goods:* any other goods or commodities essential to the Recipient's recovery from flooding, as agreed in advance by the Association.

7. The rationale for the proposed positive list is presented in the paragraphs below, for each sector:

- **Disaster Recovery.** The bulk of the goods purchased for Disaster Recovery under the positive list is expected to be targeted to emergency goods necessary to support the recovery phase, including construction material and equipment, emergency supplies (medical supplies, food and water containers), vehicle and aircraft / helicopter fuel, vehicles, communication equipment etc.; as well as equipment for the recovery of public or private assets, such as prefabricated houses and construction equipment and materials.
- **Agriculture and Rural Development.** The support to the Agricultural sector is to be divided into two principal categories, (i) Agricultural goods and equipment part of production systems and or used for value added activities of agricultural production and (ii) inputs (excluding pesticides); such as seedlings for perennial crops, orchards and wine yards as well as seeds and fertilizer for reseeded fields in so far as still applicable, or for winter crops; as well concentrated animal forage and fodder stocks that were destroyed by floods. Bank financing could also support replacement of productive livestock as well as animal feed and fodder stocks damaged by the floods. Distribution of goods could take several forms such as from supplier directly to farmer based on payment by voucher provided to each eligible farmer on a fixed sum per ha tied as recorded in the farm and client register and bar code verification. Larger durable assets such as equipment and installations would be provided only with a co-payment by the farmer making the claim. Due to the added complexities involved with the logistics, management and coordination of these efforts, an agricultural specialist experience with supply logistics might need to be hired at the level of the PIU and APCU.
- **Energy.** Most of the short term disaster recovery in the power sector would focus on ensuring that the remaining electricity consumers without power can be connected, faults and malfunctions are reduced, and that critical infrastructure can be put back to operation to the extent possible; some temporary measures (e.g. temporary distribution lines or use of mobile substations) may also be required; replenishment of the depleted or destroyed/damaged stocks of rapidly deployable spare parts and equipment could also be purchased. In addition, there may be a need to ensure sufficient supply of petroleum and fuel products, or to import power.

- **Transport.** Transport sector purchase needs will be limited to construction equipment and machinery (e.g. trucks, dozers, excavators), as well as adequate fuel and spare parts supplies, to ensure debris removal, cleanup and emergency repair of roads, bridges, culverts and ditches.
- **Water and Sanitation.** Needs for the water and sanitation sector support are expected to be limited to pumping and water treatment equipment and chemicals.

8. **Although the RNA is still on-going, the Governments have tentatively defined some priorities.** The governments have in particular indicated the need to replenish and maintain their respective strategic reserves (fuel, food), which are being quickly depleted through the emergency recovery effort. The government has also indicated it needs to quickly support the agriculture sector, which provides 20% of the country's employment and was severely affected by the floods, by replacing livestock and providing seeds and agricultural inputs to farmers in time for the growing season. Finally the government has also indicated a need to support its civil protection agencies with the purchase of additional emergency goods. Other priorities may emerge as the RNA is completed and the response to floods continues evolving.

9. **Once final priorities are defined, the Bank team and the Government will jointly define the appropriate distribution, monitoring and/or auditing mechanisms.** Depending on the nature of the emergency goods purchased under Component 1, the development of targeting mechanisms might be necessary, for example if the final beneficiaries are private persons (farmers for example). Once a principle decision on the scope for this Component has been made, the Bank's technical and fiduciary team will agree with the Recipient what are the proper distribution mechanisms and targeting rules, as well as the appropriate monitoring or auditing frameworks, if necessary. Such agreements will be recorded in the Project's Operating Manual.

C. Component 2: Rehabilitation of Key Public Infrastructure

Component project cycle

10. **Component 2 will support the rehabilitation of both local and regional public infrastructure on the basis of the RNA.** The impact of the floods was concentrated on around 60 municipalities in the central, northwest and northeast parts of the country; in many of these, public services delivery was severely impacted. This Component will therefore finance the rehabilitation or reconstruction of high priority, public service delivery infrastructure in the worst affected areas. This component is designed under a framework approach in which activities will be identified in a demand-driven manner, based on the on-going RNA. The project will put particular emphasis on Rural Development, Energy, Transport and Water and Sanitation activities but other public services (education, health) will be considered on a case-by-case basis. The Component will be divided in two Subcomponents that will follow somewhat different project cycles, depending on whether the infrastructure is local or regional.

11. **Subcomponent 2A: Regional Infrastructure Rehabilitation.** Subcomponent 2A will support the rehabilitation of strategic, regional-level public infrastructure such as transport links, electricity distribution and transmission infrastructure, dikes and other strategic public infrastructure. Definition of the priorities for Subcomponent 2A activities will be based on the on-going Recovery Needs Assessment, as well as availability of other sources of funding. Overall sector financial envelopes will be set at entity level by the Steering Committees; Entity line ministries and agencies will then take the lead in defining concrete activities for their sector and provide the PIUs with a list of relevant activities. Those activities will be screened against the Project's eligibility criteria. The overall list of activities will be endorsed by the Steering

Committee on a rolling basis, and the PIU will then be in charge of implementing the respective activities in close coordination with the responsible line ministries and relevant other stakeholders (e.g. utility companies).

12. **Subcomponent 2B: Local Infrastructure Rehabilitation.** Subcomponent 2B will be focused on local-level infrastructure, such as water supply schemes, local roads and bridges etc. The implementation process for Subcomponent 2B will be based on the following sequence of steps; the first step (RNA) started on May 29, 2014 and is expected to be complete by June 18, 2014. Subsequent steps will proceed immediately thereafter, in parallel with the formal project approval and effectiveness process. The Project's Operating Manual will provide further details on the process and in particular on the allocation of funds and prioritization of municipalities.

- **RNA.** The on-going RNA is a Government-led exercise supported by the European Union, the United Nations, and the World Bank using internationally accepted methodologies to assess the economic impact of the disaster. The RNA measures the damages, calculates the losses and identified the recovery needs. The main output of the assessment is a concise report that presents the findings of the assessment, analysis and specific recommendations for recovery in the form of coherent programmatic actions, and a recovery strategy. The basic geographical unit for the RNA is the municipality.
- **Allocation of funds among municipalities.** A fair and transparent prioritization and allocation of funds is important for the success of Subcomponent 2B. The selection of most affected municipalities out of the municipalities officially affected, will be done on the basis of the RNA's economic loss per capita estimation; it is expected that a significantly smaller number of municipalities will be selected. Once most affected municipalities have been selected, funds will be assigned proportionally to overall recovery needs, with a correction factor for municipalities' poverty level and own capacity to generate revenues. A contingency will be retained at PIU level to finance the activities design and supervision, and to ensure potential cost overruns can be covered; funds not committed within a year would return to the general contingency pool and be assigned to those municipalities with most effective implementation. The final allocation of funds will be endorsed by the Steering Committee.
- **Prioritization by municipalities.** Once each municipality has been informed of its nominal allocation of funds under the Component, local authorities will decide on which set of activities under the RNA will be prioritized on the basis of the most urgent needs and the availability of other sources of funding. The proposed set of activities will have to abide by eligibility criteria (see next bullet) and will have to be consulted with local population, in agreement with national legislation. Line Ministries might provide advisory function in helping municipalities prioritize their actions. Prioritized activities will be submitted through a municipal form to the PIUs within a given timeline. The form will in particular outline the number of beneficiaries of the activity and the alignment with the project priority areas, and confirm that proper consultations would have been conducted.
- **Screening and Bundling.** On the basis of the municipal forms, the PIUs will screen the activities submitted against eligibility criteria. Activities involving a Category A safeguards process, potentially mined areas or repairs to private property will be excluded. In case activities are found to be ineligible, poorly aligned with the project priorities or of limited impact, the PIUs will liaise with local governments for them to adjust the list. The PIUs will furthermore bundle activities of similar type in the same

region to minimize the number of procurement packages. The final list of activities will be endorsed by the steering committee.

- **Design, Procurement and Implementation.** Once activities are endorsed, the PIUs will prepare the procurement packages. It is expected that some of those will be based on standard specifications and will not require designs, but other will; designers will be hired on a retainer basis. Supervision will be conducted by consultants hired by the PIUs as well.

Figure 2: Implementation Process for Subcomponent 2B



Typical activities under Component 2

13. **Agriculture and Rural Development sector.** Support to the agricultural recovery would entail rehabilitation works of rural infrastructure of a public character, mainly rural roads and auxiliary infrastructure but other structures as well if adequately justified by local communities and local authorities. Works could involve clean up and rehabilitation of access roads, consolidation of road banks, cleaning of drainage ditches including siphons and bridges, etc.

14. **Energy Sector.** The measures/investments remain to be specified based on the detailed damage assessments and prioritization of measures. They would typically focus on investments that would e.g.:

- Replace any temporary fixes to power lines and cables, power towers or poles with permanent ones; this may include need to stabilize areas where landslides took place;
- Reconstruct damaged sections of transmission and/or distribution lines and towers/poles;
- Rehabilitate, reconstruct or replace complete installations/facilities (e.g. completely destroyed substations, switchyards etc.);
- Roll out wider replacement of damaged/destroyed equipment, e.g. metering, monitoring and controls equipment;
- Rehabilitate or replace coal mining equipment and infrastructure.

15. **Transport sector.** The remedial measures to be considered by the municipalities and line Ministries are expected to include but not limited to flood, rock fall and landslide debris removal, cleaning of drainage structures such as culverts and side drains, pavement pot hole repair, pavement reconstruction, repair and/or replacement of traffic furniture, and replacement of heavily damaged structures such as bridges, culverts, retaining walls.

16. **Water and Sanitation sector.** The measures expected to be necessary under Component 2 for the water and sanitation sector, will include water systems rehabilitation or reconstruction, starting from reposition of groundwater or surface water catchment facilities, repair or replacement of electro-mechanical equipment in water purification plants, pumping stations and tanks, repair in damaged transmission and distribution networks; as well as sewer systems rehabilitation or reconstruction, including repairs to sewer networks and replacement of damaged equipment in wastewater treatment plants.

17. **Mines in project area.** A large number of mines were laid throughout the territory of BiH during the war in the '90. With the support of the international community a BH Mine

Action Center (BH MAC) was established as the main authority to monitor the mine situation and coordinate the de-mining activities. BH MAC maintains accurate maps and information about mined areas, which are fully identified and clearly marked on the ground. Although no casualties were reported to date there is anecdotal evidence that during the recent floods, some unexploded ordinance and mines were displaced to other areas. BH MAC early estimate is that about 900 square kilometers or 10% of the total flooded area might have been affected by such displacement. With financing from the EU Instrument for Pre-Accession Assistance (IPA), BH MAC and non-governmental demining organizations are currently conducting emergency demining of the main roads and other priority infrastructure in the affected areas. An assessment of the impact of the recent floods on the movement of mine fields is also currently ongoing in cooperation with the US, EU and UNDP experts. The assessment is expected to be completed by the end of July 2014 and will result in a revised mined area map. Depending on the verified scope of changes to the mine fields, funding for demining of the potential new areas will be requested from the donors. Because of the limited percentage of flooded areas affected by this problem (10%) and the fact that priority infrastructure - also a focus of this project - is being demined currently, it was agreed that demining activities would not be financed under this project. Repair or reconstruction work in an area identified as potentially mined in the BH MAC assessment will therefore be screened out, at least until proper demining has been completed by the relevant authorities.

D. Component 3: Project Implementation Support and Capacity Building

18. ***Component 3: Project Implementation Support and Capacity Building.*** This component will finance the management of the Project and any support needed for the identification and implementation of sub-activities. The component will also provide technical assistance and capacity building to help ensure future improved disaster resilience. There will be two Subcomponents.

19. ***Subcomponent 3A: Project Implementation Support.*** The Subcomponent will cover the incremental costs of the PIUs (Agriculture PIU in the FBIH, and the Agriculture PCU – in the RS) housed in the respective entity level Ministries of Agriculture, Water Management, and Forestry, which will be responsible for implementing the Project in their respective entities. The RS APCU will also be responsible for the fiduciary arrangements and contracting in the Brčko District part of the project. These units, which are already managing several Bank-funded projects, will hire/supplement the required staff to carry out the responsibilities of the PIU, including coordination, reporting, financial management, procurement, and social and environmental safeguards (see Implementation Arrangements in Annex 3). Furthermore, the PIUs will also need international technical assistance to extend their capacity in the new areas covered under this Project. The units might also need additional equipment, and operating costs to secure their effective operation. This Subcomponent will also cover the costs of a small project implementation team (PIT) that will be established in Brčko to oversee and coordinate the project activities. Finally the component will also cover any necessary monitoring and evaluation, as well as auditing costs.

20. ***Subcomponent 3B: Capacity Building for Disaster Resilience.*** The aim of this Subcomponent is to improve BiH's capacity to move to a more proactive approach to risk management, rather than a responsive approach. The project would support improving disaster resilience capacity at the national level and at the local level through strengthening knowledge on risk assessment, planning, workshops, drills and targeted training for decision makers, practitioners and communities. The implementation of this component would complement and be

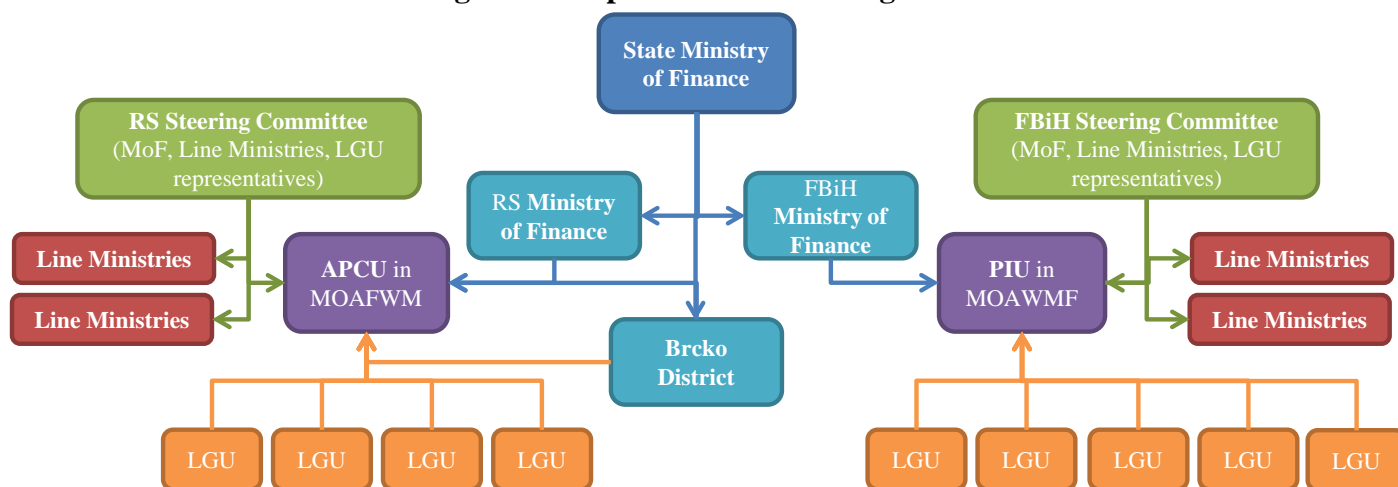
closely coordinated with the existing Bank engagement in the Flood Management field notably through the recently approved BiH Drina Flood Protection Project that will fund protective infrastructure on the Drina River; the proposed Global Environment Facility (GEF) Drina River Basin Management Project (USD10 million) that will provide TA and hydro-meteorological equipment; and the committed, West Balkan Investment Framework-funded TAs to develop an Investment Prioritization Framework for the Drina basin to develop and implement a regional Joint Flood Management Strategy for the Sava River.

ANNEX 3: IMPLEMENTATION ARRANGEMENTS

A. Project Administration Mechanisms

1. **Overall Arrangements.** Given the importance of delivering quick results, implementation will be based on existing structures, mechanisms and capacities built up through on-going Bank projects, including the Agriculture and Rural Development project (P101213), which also financed similar emergency response measures after more limited floods in 2010. The project activities will be implemented by the two entities (FBiH and RS) through an existing PIU in each entity, with the RS APCU also responsible for the BD part of the project, and take place in close coordination with other Line Ministries, under the overall guidance of a Steering Committee¹⁰. Local governments will play a strong role in setting priorities in particular under Component 2B. No funds will be directly implemented by other institutions or local governments units.

Figure 3: Implementation Arrangements



2. **Role of the various actors.** The role of the various project actors with regards to project implementation will be as follows:

- *Ministries of Finance at Entity level.* The Ministries of Finance will manage the process of defining activities to be presented for reimbursement under the Component 1 Positive List.
- *Line Ministries.* The Line Ministries are managing the respective sectorial recovery needs assessment jointly with local governments and the donor community. They will lead the selection of regional activities in their respective sectors; they will also provide technical support to local governments in the selection of local priority activities, and to the PIUs in the design and supervision of all project activities.
- *PIUs.* The PIUs in the respective entities will be in charge of project implementation, including overall project management, fiduciary and safeguards function and project

¹⁰ Both entities and Brčko District are in the process of setting up coordination mechanism for the floods recovery response. Assuming that those mechanisms are put in place in a timely manner, they could serve as the steering committees for this project. If not, an ad-hoc project steering committee will be put in place in each.

monitoring and reporting. They will be strengthened through Component 3A to include technical due diligences staff.

- *Local Governments.* Local Governments are participating in the Recovery Needs Assessment. They will be responsible to define activities within their funding assignation; to provide any necessary building permits; and to assist in all ways possible in the successful implementation of the project activities under their territories.
- *Government of the Brčko District.* The Government of the BD will manage the process of defining activities to be presented for reimbursement under the Component 1 Positive List. The Government of the BD will also establish the PIT to oversee and coordinate the activities in the BD.
- *Steering Committees.* Both entities and Brčko District are in the process of setting up a coordination mechanism for floods response; assuming those mechanisms are put in place in a manner satisfactory to the Bank and timely, this mechanism will also serve as the project's Steering Committees. If not, a dedicated project Steering Committees will be setup in each entity and in Brčko District, which will be chaired by the Ministry of Finance and consist of representatives of the line Ministries as well as local governments and civil society representatives. The Steering Committees will endorse the funds assignation and the proposed list of activities for implementation under Component 2, and provide overall oversight on project implementation.

3. **Project Implementation.** The project will be implemented by the Agricultural Projects Coordination Unit (APCU) under the Ministry of Agriculture, Forestry and Water Management in the RS, and the PIU under the Ministry of Agriculture, Water Management and Forestry in the FBiH. Both units have served as the focal units for preparing and implementing a number of Donor-funded projects (including the on-going Irrigation Development Project / P115954, currently rated Moderately Satisfactory for Implementation Progress, and Agriculture and Rural Development Project / P101213, currently rated Satisfactory for Implementation Progress). In addition, both units have experience in working with each other to reduce administrative burdens and facilitate implementation and problem resolution. In the Brčko District, the RS APCU will be responsible for procurement, financial management, and contracting while the PIT in Brčko will be responsible for the oversight and coordination of the project activities there.

4. **PIU Staffing and organization.** The APCU and Agriculture PIU have professional staff for some technical aspects (agriculture, water management), and for procurement, FM and general project oversight. However, they will require strengthening to absorb the additional workload and extended technical scope associated with the Project. The additional necessary staff will be hired under Subcomponent 3A. Furthermore, because of the strong local dimension of the project, the APCU will consider delegating some of the coordination functions to the agricultural extension offices established by the RS MoAFWM, which are present throughout the RS; while the FBiH PIU will consider opening up to two additional field offices in the worst affected regions of the FBiH for the same purpose.

B. Financial Management

5. The overall financial management risk for the project is substantial before mitigation measures, and with adequate mitigation measures agreed, the financial management residual risk is rated moderate.

Budgeting and Counterpart Funding Arrangements

6. The APCU and PIU prepare annual plans based on detailed procurement planning. Existing FM staff in the FBiH PIU and RS APCU has adequate capacity for planning and budgeting in terms of human resources, availability of quality information and IT system. The PIU and APCU prepare budgets for all Project components for each Entity separately. The budgets are entered in the accounting software and actual versus planned information analyzed and explained. Budgeting and accounting in both PIU and APCU is appropriate.

Flow of funds

7. The implementation of project activities will be under the APCU and PIU. The APCU and PIU will manage project implementation and will be responsible for such functions as: procurement, financial management, monitoring and evaluation, and reporting. The fiduciary functions would be conducted by hired consultants under the existing ARPD and IDP projects.

Accounting and Maintenance of Accounting Records

8. **Information systems.** The PIU and APCU installed and implemented a financial accounting and reporting software that is successfully being used in several Bank-financed Projects. The software has the necessary capabilities to produce the required reports and maintain a trail of transactions in verifiable manner.

9. **Accounting policies and procedures.** Accounting procedures are set out in the FM Manuals. The FM Manuals contain procedures for the flow of accounting information and records between the PIU and APCU and other stakeholders.

10. Additional accounting policies applied to the Project adhere to the following principles:

- Cash accounting as the basis for recording transactions;
- Reporting in €(reporting currency);
- Quarterly IFRs prepared by each FBiH PIU and RS APCU; and
- All GCF reflected in the financial reports.

11. The PIU and APCU prepare quarterly interim un-audited Financial Reports (IFRs) which include Sources and Uses of Funds, Uses of Funds by project activity, Balance Sheet, Statement of Expenditures and Designated Account Reconciliation Statement. Quarterly IFRs have been submitted regularly to the Bank and were found acceptable for both ARDP and IDP. The latest sets of IFRs covered the 1st quarter of 2014. Both sets of reports had been found acceptable to the Bank. The FBiH PIU delivered its IFRs on time.

Internal Controls and Internal Audit

12. The APCU and PIU will maintain Project accounts and will ensure appropriate accounting of the funds provided. The formats of the IFRs have been agreed and confirmed. The IFRs will be prepared on a quarterly basis. IFRs will be prepared for each calendar quarter and submitted within 45 days after the end of the reporting quarter. The IFRs will include: Project Sources and Uses of Funds, Uses of Funds by Project Activity, Designated Account Statement, and Statements of Expenditure (SOE) will be presented in the Credit currency. If the Credit currency differs from the currency of the Designated Account (DA), the DA reconciliation statement will be presented in the currency of the relevant DA.

13. The APCU and PIU have adequate internal controls for the project, including regular reconciliation of bank accounts, adequate segregation of duties, proper accounting policies and

procedures and monthly reconciliation of disbursement summaries of the World Bank with accounting records will be performed. Designated Accounts reconciliation statements, Client Connection figures will be reconciled monthly with the accounting records. IFRs would be reconciled quarterly with the accounting data. The IFRs will be reconciled quarterly with the trial balance out of which they are prepared, including the relevant bank statements. Evidence of the reconciliation made will be kept in project records. The APCU and PIU will maintain, print and store all back up documentation (trial balance, bank statements, journal entries etc.) for the quarterly IFRs in a file.

14. The internal controls for the project follow the following procedures in the PIU and APCU: The relevant institution coordinating implementation of the specific component is signatory to the contract. The latter institution, assisting the implementation of the specific component, receives an invoice and verifies it in terms of quality and quantity of the goods/services received versus invoiced. In addition to this, independent consultants are contracted to perform verification that goods, services or works have been delivered to acceptable level prior to payments. The invoice is then forwarded to the project units where it is registered as received, pre-numbered and forwarded to the Project Director. After approval of the Project Director the invoice is immediately given to the FM manager who registers the invoice in a simple log file with name of supplier, amount, and date of payment. He/she checks the invoice, the calculation of the invoice, and finds the appropriate budget from which the amount will be charged (contract number, item number and program (component)). After putting his/her initials the invoice is given to the project procurement staff. The procurement staff checks the invoice against the relevant contract number, if necessary attaches a copy of the relevant paragraph on which the invoice is based from the contract and signs. The project procurement specialist performs on site visits on regular basis and at least monthly in order to verify quality and quantity of the goods/services received.

15. All relevant documentation is attached to the invoice enabling the coordinator of the project to immediately evidence that the necessary checks have been performed. The invoice is finally reviewed again by the FM manager. The receipt of the approved invoice is registered in the registry mentioned above ensuring that payment can be made as per the payment terms. Payment order and the invoice with all designated approvals and signatories (described in the FM Manual) are submitted to the commercial bank where the Designated Account is opened for payment or in case of Direct Payment the application form for such method payment is submitted to the Bank, with an authorization performed by the Ministry of Finance and Treasury of Bosnia and Herzegovina (MoFT). After applying the eligible percentages the request for payment of the counterpart contribution with all designated approvals and signatories (described in the FM Manual) is processed for payment. Bank Statements are received daily by the project units. Based on the Bank Statements FM Manager records executed payments and performs due reconciliation of the bank balances. There are regular monthly reconciliation of Designated accounts and local accounts balances with project accounting records. Furthermore, there are monthly reconciliation of Statement of Expenditures (SOEs) with project accounting records. Finally there are monthly reconciliations of disbursement summaries of the World Bank available at the client connection web site with project accounting records. The explained reconciliations procedures are valid for both PIU and APCU.

16. Operating expenses in the PIU are approved by the Procurement, FM manager and project director. The Director's operating expenses are approved by the FM manager and procurement specialist. Travel requests are approved by the PIU director. The travel requests of the FBiH PIU director are approved by the FM manager. After the travel has been completed the

travel payment claims are approved by the PIU director, or by the FM manager if the travel is related to the PIU director. Overall internal controls for the operating expenses are appropriate.

Periodic Financial Reporting

17. The APCU and PIU shall prepare and furnish to the Bank 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 Bank.

External Audit

18. The APCU and PIU will be responsible for the timely compilation of the annual project financial statements for the independent external audit. Project financial statements (including SOE and DA activities) will be audited by an independent auditor acceptable to the Bank. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Borrower, commencing with the fiscal year in which the first withdrawal was made under the Credit. The terms of reference for the audit have been agreed with the Bank, and will be attached to the Minutes of Negotiation. In addition, the auditors are expected to deliver management recommendation letters in relation to the project. Each management recommendation letter will identify internal control deficiencies and accounting issues, if any. The audit reports, audited financial statements and management recommendation letter will be delivered to the Bank within six months of the end of each fiscal year. The audited Project Financial Statements will be made publicly available in a timely fashion, and in a manner acceptable to the Bank.

19. All project audits in Bosnia and Herzegovina are covered by an umbrella agreement with one audit firm contracted by MoFT. The audit for CY 2013 will be conducted by the audit firm Deloitte doo Sarajevo. No delays are expected with submission of FY2013 financial statements.

Financial Management Conditions and Covenants

20. The APCU and PIU will continue to maintain a project financial management system acceptable to the Bank. The project financial statements will be audited by independent auditors acceptable to the Bank and on terms of reference acceptable to the Bank. The annual audited statements and audit report will be provided to the Bank within six months of the end of each fiscal year. Quarterly IFRs will be forwarded to the Bank no later than 45 days after the end of each quarter. There are no FM conditions for negotiations or project effectiveness.

Retroactive Financing

21. Payments may be made up to an aggregate amount not to exceed USD40.0 million for Eligible Expenditures made prior to the Financing Agreement signing date but on or after September 1st, 2013. This provision applies in particular, although not exclusively, to the positive list (Component 1) emergency goods, some of which might have been purchased before the flooding started in May 2014 but are being used now.

Supervision Plan

22. As part of its project supervision, the Bank will conduct risk-based financial management supervisions, at appropriate intervals, in the following ways: (a) review the project's quarterly financial reports, the project's annual audited financial statements, the auditor's management letter and remedial actions, if any; and (b) during the Bank's on-site supervision missions, review the following key areas (i) project accounting and internal control systems; (ii) budgeting and financial planning arrangements; (iii) disbursement management and financial flows, including

counterpart funds, as applicable; and (iv) any incidences of corrupt practices involving project resources. As required, a Bank-accredited FM Specialist will assist in the supervision process.

C. Disbursements

23. There will be three Designated Account (DA) opened for the for the Credit proceeds, namely one for each entity and one for BD. The DAs will be opened by the MoFT in a commercial bank acceptable to the Bank. Credit funds will flow from the Bank to the Designated Accounts and then from DAs to contractors on the basis of the approved invoices. There will also be a possibility to use special commitments (in case of goods imported) or direct payments methods from the Bank to contractors for larger payments as indicated in the Disbursement Letter. The project FM staff will prepare the application for withdrawals to be submitted to the Bank. Such procedure is described in detail in the FM chapter of the project Operational Manual.

24. Disbursement from the Credit Account will follow the traditional method, either through reimbursement, direct payment to suppliers, issuance of the Bank’s Special Commitment, payments from and replenishment of the DAs with the use of SOEs or with full documentation. Withdrawal applications for the replenishments of the DAs will be sent to the Bank on a quarterly basis. Withdrawal Applications for expenditures to be claimed under Disbursement Categories (1), (3) or (5) must: be prepared separately and exclusively for Disbursement Category (1), (3) or (5), be fully documented, and be approved and cleared by the Bank’s Task Team Leader.

25. Supporting documents for SOEs, including completion reports and certificates, will be retained by the APCU and PIU and made available to the Bank during project supervision. Disbursements for expenditures above the SOE threshold levels will be made against presentation of full documentation relating to the expenditures. The reimbursement of expenditures from the DAs may be made on the basis of certified SOEs, based on the SOE thresholds defined in detail in the Disbursement letter. The ceiling and authorized allocation for the DA will be defined in the project Disbursement Letters. The DAs will be denominated in Euros. There will be no counterpart financing.

Withdrawal of the Proceeds of the Credit¹¹

Category	Amount (SDR)	Percentage of Expenditures
(1) Eligible Essential Goods and Commodities for Part A.1. of the Project	12,350,000	100%
(2) Goods, works, non-consulting services, consultants’ services, Training, and Incremental Operating Costs for Parts A.2. and A.3. of the Project	18,525,000	100%
(3) Eligible Essential Goods and Commodities for Part B.1. of the Project	12,350,000	100%
(4) Goods, works, non-consulting services, consultants’ services, Training, and Incremental Operating Costs for Parts B.2. and B.3. of the Project	18,525,000	100%
(5) Eligible Essential Goods and Commodities for Part C.1. of the Project	1,300,000	100%
(6) Goods, works, non-consulting services, consultants’ services, Training,	1,950,000	100%

¹¹ In this table Part A refers to the FBiH project activities; Part B to the RS project activities; Part C to BD activities; (1); (2) and (3) refer to the respective components

Category	Amount (SDR)	Percentage of Expenditures
and Incremental Operating Costs for Parts C.2. and C.3. of the Project		
TOTAL AMOUNT	65,000,000	

D. Procurement

26. Procurement for the proposed Project would be carried out in accordance with the World Bank’s “Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants” dated January 2011; and “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Recipients” dated January 2011; the Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits & Grants, and the provisions stipulated in the Legal Agreement. Procurement under Emergency Procedures will be implemented as per OP 8.00, its Guidance Note and *Rapid Response to Crisis: Procedural Guidelines*.

Positive List of Goods

27. The following list reflects the expenditures on eligible goods, both domestic and imported, required for the emergency recovery program that may be retroactively financed:

- *Logistical goods:* including water, land and air transport equipment, including spare parts; communications equipment.
- *Reconstruction goods:* including construction materials; construction equipment and industrial machinery (including trucks, dozers, excavators); prefabricated houses.
- *Emergency goods:* including emergency and medical supplies and equipment; food and water containers; chemicals and equipment for water purification and sanitation of land, buildings and other structures; basic food commodities; cleaning and hygienic supplies; mud and water pumping equipment; equipment and furniture for emergency shelters and accommodations; moisture removal equipment; emergency vehicles and supplies; waste management and disposal equipment.
- *Energy and power sector goods:* including petroleum and fuel products; power purchases; power transmission and distribution equipment; mining equipment and pumps to remove water from mines, controls, monitoring and measurement equipment; emergency power generators; and other electrical equipment.
- *Agricultural recovery goods:* including agricultural equipment and immovable productions systems such as greenhouses, milking parlors and auxiliary installations, sorting or packaging equipment; inputs (excluding pesticides); such as seedlings for perennial crops, orchards and wine yards as well as seeds and fertilizer for reseeded fields; as well concentrated animal forage and fodder stocks that were destroyed by floods; livestock.
- *Other Essential Goods:* any other goods or commodities essential to the Recipient’s recovery from flooding, as agreed in advance by the Association.

28. The goods listed on the Positive List above may be/have been procured under procedures used in national emergency, including commercial practices by the private sector, as indicated in the Project Operations Manual. A technical and financial review of the component procured

under this arrangement will be conducted ex-ante or ex-post for each expenditure. These reviews should determine their acceptability to the Bank¹².

29. A simplified procurement plan for a period of 6 months has been created to reflect the object of each contract; estimated cost; procurement method; estimated date of bid submission; and Bank review (prior or post).

Simplified Procurement Methods

30. Simplified procurement methods will be used until the situation permits the use of the usual bid submission deadlines and other conditions waved under the emergency procedures, including the higher thresholds for selection methods and prior review; it is expected that the need for emergency procedures will last until the end of the construction season in BiH. The simplified methods are as follows:

- Direct Contracting or Simple Shopping for the procurement of services of qualified UN agencies/programs and/or suppliers (for goods) and civil works contractors already mobilized and working in emergency areas (for works); shopping thresholds for goods with a contract value up to \$500,000 and simple works with a contract value up to \$1,000,000; in exceptional cases, when shopping needs to be followed for contracts estimated to cost more than these values, Bank's clearance is required;
- Single Sourcing or Consultant's Qualification Selection (CQS) for contracting firms already working in the area and which have a proven track record for the provision of technical assistance; the Selection Based on the Consultants' Qualifications (CQS) can be applied for contracts estimated to cost above \$300,000 with Bank's prior acceptance;
- Extending contracts issued under existing projects for similar activities by increasing their corresponding contract amounts;
- Force Account for delivery of services directly related to the emergency if there is no alternative arrangements available;
- Simplified International Competitive Bidding and National Competitive Bidding with accelerated bidding and streamlined procedures and applying Bank provisions on elimination, as necessary, of bid and performance securities in small-medium size contracts, but in works contracts, retention money may be retained during the liability period; and for goods contracts, manufacture warranties will be requested.

Operating Costs

31. Operating costs eligible for financing would include the incremental expenses incurred for early recovery efforts arising as a result of the impact of major natural disasters.

Procurement as per Standard Procurement Plan

32. A standard procurement plan will be developed by the two entities for the next 18 months, and will be updated at least annually or before as required to reflect the actual project implementation needs and improvements in institutional capacity. The Procurement Plan and its updates will be submitted to the Bank for approval. The procurement thresholds for procurement of goods, works and consultancy contracts are set in the procurement plan accordance with the

¹² Requirements for acceptance: (a) the contracting approach, (b) the appropriateness of prices relative to market prices, (c) the adherence to acceptable and agreed commercial practices or emergency procedures, and (d) the appropriate use of funds for intended eligible purposes. Supporting documentation must be available for auditing.

results of the procurement capacity assessment and within the latest ECA regional thresholds. The contracts subject to prior review are reflected in the procurement plan as such.

Procurement Methods

33. The following methods may be used for procurement of civil works, goods and non-consulting services as agreed in the procurement plan: International Competitive Bidding (ICB), National Competitive Bidding (NCB), Shopping (S), and Direct Contracting (DC) with prior Bank's approval. Procurement for all ICB procedures will be done using the Bank's Standard Bidding Documents (SBD). Smaller value contracts as needed will be procured using the Standard NCB documents for Goods or shopping using ITQ (June 2011), depending on the cost estimate for the package. Limited International Bidding procedures (LIB) may be used to procure certain goods where there is only a limited number of suppliers.

Procurement of Civil Works

34. Procurement of civil works will include, *inter alia*, recovery works; replacement of temporary fixes to power lines and cables, power towers or poles with permanent ones; landslide stabilization works; reconstruction of damaged sections of transmission and/or distribution lines and towers/poles; rehabilitation or reconstruction of complete installations/facilities; flood protection and road rehabilitation works.

Procurement of Goods and non-consulting services

35. Goods and non-consulting services procured will include; goods and services in the areas of energy (like procurement of power transmission and distribution equipment, control and safety equipment/systems, monitoring and metering equipment/systems), water and sanitation, flood protection and road rehabilitation, including related spare parts; mining equipment and disaster relief services.

Selection of Consultants

36. Consultant services will include, *inter alia*, design and supervision; technical studies; contract monitoring and supervision; monitoring and evaluation; financial audits; advisory services in different implementation areas related to the disaster relief efforts.

37. The following methods may be used for the selection of consultants: Quality and Cost-Based Selection (QCBS), Quality-Based Selection (QBS), Least-Cost Selection (LCS), Fixed Budget Selection (FBS), Selection based on Consultants Qualifications (CQS)¹³, Individual Consultant Selection (IC), and Single Source Selection (SSS) with prior Bank's approval. The World Bank's Standard Request for Proposals will be used. Terms of Reference, irrespective of prior/post review status, may be subject to the Bank Team's prior review and no objection.

Training and Training Plan

38. The institutions providing standard training, conducting seminars and organization of study tours would be selected on the basis of analysis of the most suitable program of training offered by the institutions, availability of services, the period of training and the reasonableness of cost. However, consultants hired to deliver training under the Project shall be selected in accordance to the selection methods as stipulated in the Consultant Guidelines applicable to the project. An annual training plan shall be prepared and agreed with the Bank. It will include

¹³ For standard tasks costing not more than USD 300,000 equivalent.

information on the title of training, institution that shall provide it, timeline, cost, number, position and names of relevant people to be trained. The training plan shall be updated in agreement with the Bank through the duration of the Project at least annually or as required to reflect the actual project implementation needs.

Operating Costs

39. The activities to be financed by the project (as defined in the Legal Agreement) will be procured using the implementing entities' administrative procedures which were reviewed and found acceptable to the Bank.

Post-review Percentages and Frequency

40. Contracts not subject to Bank's prior review are marked as such in the procurement plan and will be subject to post review by the Bank's procurement specialist assigned to the project. Post review of contracts will be carried out at least once per year. At a minimum, 1 out of 5 contracts will be randomly selected for post review. Physical inspection will be conducted for at least 10% of the number of contracts

Table 2 Contracts for consulting services, goods, and works, as applicable.

Description	Estimated Cost ' 000 US\$ equivalent	Procurement Method	Domestic Preference (yes/no)	Review by Bank (Prior / Post)	Comments
GOODS / Logistical / Reconstruction / Emergency / Energy and Power/Agricultural recovery /	40,000	ICB	No	Prior	Multiple contracts
Rehabilitation of strategic / local infrastructure	37,000	ICB	No	Prior	Multiple contracts
Development of Main Designs	4,000	QCBS	No	Prior	Multiple contracts

Table 3 Prior review thresholds

Procurement Method	US\$ equivalent		Comments
	Within emergency period	After emergency period	
International Competitive Bidding (ICB) Goods	> 2,000,000	≥ 1,000,000	All subject to prior review
International Competitive Bidding (ICB) Works	> 10,000,000	> 5,000,000	All subject to prior review
National Competitive Bidding (NCB) Goods	< 2,000,000	< 1,000,000	First two works contracts subject to prior review
National Competitive Bidding (NCB) Works	< 10,000,000	< 5,000,000	First two works contracts subject to prior review
Quality and Cost Based Selection (QCBS) for Consulting Services	> 300,000	> 300,000	All subject to prior review

E. Environmental and Social (including safeguards)

41. The project will target areas that were hit hardest by the devastating floods. Given magnitude of damage caused by flooding and associated landslides, the project is designed to provide rapid response and improvements to affected municipalities in which public services delivery and economic opportunities are impacted severely. It is expected that it will yield significant social benefits and livelihood opportunities through provision of high priority reconstruction and rehabilitation of public infrastructure in the worst affected municipalities.

Environmental Safeguards

42. **The Project is classified as environmental category “B”, in accordance with Operational Policy OP 4.01.** Since exact subprojects are not determined at the outset of the Project¹⁴ and will be decided based on demand and consultations with the concerned municipalities and communities, the appropriate instrument of OP 4.01 is an ESMF. It identifies the policy triggers for the Project, the screening criteria of subprojects, the environmental and social impacts for the likely subprojects and the measures to mitigate the identified risks, assessment of the institutional capacity of the implementing agency and measures for filling capacity gaps, and an estimate of the budget needed for the implementation of the ESMF and related instruments. The ESMF will directly provide a list of activities that cannot be financed, and screen out activities that correspond to Category A projects, or that may trigger additional safeguards policies.

43. **Given the emergency response nature of the project, in order to facilitate project processing, the World Bank team has prepared an Environmental and Social Safeguards Framework (ESSF)** that will help guide the Client in preparing the ESMF and RPF, including specific provisions of the safeguards related exclusions. The ESSF sets out how the safeguard policies will be applied during the preparation and implementation of the project, including deferring the requirement for preparation and disclosure of the ESMF and RPF into the project implementation stage. Preparation and disclosure of the ESMF and RPF will be a condition for disbursement of project funds under Components 2 and 3. The documents will be prepared in compliance with the Bank's OP 4.01 and OP 4.12 policies and relevant RS and FBiH legislation with the aim to minimize and mitigate adverse impacts on the environment and affected population. Both documents will be prepared following disclosure and public consultations in the areas that are also relevant for this project such as Bijeljina, Gorazde, Sarajevo and Banja Luka. The ESMF and RPF will be re-disclosed both in country and through the World Bank's Infoshop. As per the ESMF, subsequent Environmental Management Plans (EMPs) will be prepared, with disclosure and public consultations in local municipalities. A Safeguards Action Plan has been prepared, and is attached to this Annex along with an exclusion list of activities that cannot be financed. The designated PIUs within the Entity Ministries of Forestry, Water Management and Agriculture, have a long track record of implementing World Bank-supported projects and are familiar with the provisions of the Bank's safeguards policies relevant to this operation, herein the implementation and monitoring of the ESMF and related instruments. The PIUs will be strengthened with additional safeguards staff to help expedite the preparation process.

¹⁴ No subprojects of category “A” will be eligible for funding.

Social Safeguards

44. The Project support will include a participatory and consultative approach to ensure community participation in the prioritization of the reconstruction process so as to adequately address differential impacts on, and recovery needs of the affected vulnerable and marginalized families, specifically socially excluded groups, women headed households, youth and disabled persons. The planned project activities are not expected to have negative social impacts, but rather positive ones aimed at restoring and building equitable access to improved and rehabilitated public services.

45. **The Bank Operational Policy on Involuntary Resettlement (OP 4.12) has been triggered** in view of the fact that the infrastructure rehabilitation and reconstruction works in some cases may lead to possible land acquisition. Land requirements are expected to be minor as the rehabilitation investments will be carried out mainly on municipally owned land, or other government owned land. However, restoration and/or rebuilding of damaged facilities might to some extent have adverse social impact if the works require some temporary acquisition of private land for securing the right-of-way. Since the size, scale and location of subprojects cannot be determined at the project preparation stage, the Resettlement Policy Framework (RPF) and Environment and Social Management Framework (ESMF) will be prepared to mitigate potential environmental and resettlement impacts.

46. **The ESMF will list the criteria for screening and exclusion of subprojects that may have irreversible impacts.** It will also contain measures such as screening, consultations, preparation and implementation of the Resettlement Action Plan (RAP), if required, and extension of entitlements. The mitigation measures will be integrated into the subproject planning, design, implementation, operation and maintenance. In addition, social inclusion measures to address the special needs of the women, vulnerable families and marginalized communities have been incorporated as well as guidelines for prior and informed consultation with the respective municipalities/communities, grievance redress, information disclosure and monitoring and evaluation.

47. **Gender.** The project supported activities will benefit both men and women. It is likely that no gender-related constraints are expected under the project activities, as these will rather generate positive impact and benefits for both women and men with their livelihood improved through restoration and rehabilitation of flood-damaged public service infrastructure. The rehabilitated services will assist in restoring their livelihood and bringing back a sense of normalcy to their communities. With their houses and land flooded, property ruined and crops destroyed, the project is indeed expected to improve the current disastrous situation for the affected population. During the work on developing the RNA, special attention will be paid to secure meaningful consultations and broad participation of both women and men to allow them to express more freely their needs, constraints and preferences in regard to the planned rehabilitation works to be done in their respective municipalities. The situation of women in the affected areas will be assessed through the RNA (gender assessment is led by the Sarajevo-based UN Women agency). If relevant, gender findings will be incorporated in the ESMF and RAP, where appropriate. The Project Results Framework will contain gender data with results indicator on the number of direct project beneficiaries (supplemental indicator on female beneficiaries - 51 percent).

48. **The project triggers the International Waterways policy.** Proposed Project activities however only entail rehabilitation or reconstruction of existing infrastructure and as such fall under the exception to the notification requirement under paragraph 7(a) of OP 7.50, Projects on

International Waterways. A memo outlining the rationale has been prepared by the team and exception has been granted by Bank Management. Adequate provisions will be made in the ESMF to ensure that the project financed activities do not adversely impact the quality or quantity of water to riparian countries.

49. **Consultation and Disclosure.** As noted, the RPF and ESMF developed for the Drina Flood Protection Project have been prepared with prior and informed consultations. Broad and meaningful consultations will be also undertaken for the revised versions. Moreover, community consultations will be carried out in the process of selecting and prioritizing the subprojects to be rehabilitated in line with the expressed needs of the affected communities.

50. **The ESMF and RPF are condition for disbursement for Component 2 of this project.** The updated versions of ESMF and RPF will be submitted to the World Bank team in a draft form by September 8, 2014. Pending review and comments from the World Bank team, the ESMF and RPF will be disclosed by September 26, 2014, both in country and through the World Bank's Infoshop. Subsequent EMPs and RAPs, when needed, will be disclosed at the local municipality level during project implementation and prior to start of works.

51. **Implementation:** To ensure prompt and efficient implementation, the arrangement with the existing PIUs implementing several Bank-funded projects (agriculture/rural development; irrigation development; flood protection and forestry) within the line ministries for agriculture, forestry and water management will also implement this project. The PIUs are familiar with the provisions of the Bank's safeguards policies, their implementation and monitoring in line with the provisions set out in the relevant safeguards instruments - ESMF/EMPs and RPF/RAPs. Experienced safeguards specialists are assigned in the PIUs. However, given the magnitude of the work ahead, the PIUs can be strengthened with additional safeguards staff, if needed.

F. Project Monitoring & Evaluation

52. The Project defines the objectives and guiding principles for selecting activities to meet critical needs and restore functionality of infrastructure essential for public services and economic recovery in floods affected areas. Specific activities will be done during implementation, therefore the specific type and number of outputs expected will not be known at the outset. In line with the 2013 Guidance Note for Projects in Situations of Urgent Need, the monitoring strategy selects indicators that would track progress and outputs, some for which targets have been defined and others for which they will be set at the beginning of implementation. The selected project indicators will track: (i) implementation pace, (ii) expenditure efficiency (based on outputs), and (iii) due processes.

53. The Results Framework for the project is designed to reflect the support provided to revitalize economic opportunities as well as to monitor the progress of the processes defined to identify, prioritize and implement the project activities at the municipal level. The efficiency of investments on an emergency recovery project is tightly linked to its timeliness. Therefore, speed of implementation will reflect the extent to which the project was able to effectively respond to recovery needs. Given that specific investments will only be known during implementation, the monitoring strategy is to track the percentage of outputs (as defined during municipal subproject approval) that are effectively delivered to beneficiaries. End of project targets and year-end targets for sector specific public service activities will be defined upon completion of Recovery Needs Assessment.

54. The project will be monitored by the PIUs. Both PIUs have professional staff for some technical aspects (agriculture, forestry and water management), and for procurement, FM and

general project oversight. However, they will require strengthening to absorb the additional workload and extended technical scope associated with the Project. Due to multi-sectoral nature of this project, M&E capacity will be strengthened if needed. Monitoring of results on the ground will be carried out with the support of the agricultural extension offices established by the RS Ministry of Agriculture and Water Management, which are present throughout Republika Srpska. The FBiH PIU in MOAWMF will consider opening up to two additional field offices in the worst affected regions of the country for the same purpose. Information and data collected at the local level will feed into overall monitoring and evaluation of the Project. The Steering Committees will oversee M&E activities regularly evaluating the results achieved and guiding the APCU and PIU on corrective management actions.

G. Roles of Partners

55. The World Bank's response to the floods is closely coordinated with other donors through the RNA. Many of the project activities will be based on the Recovery Needs Assessment led by the Government of BiH and supported jointly by the European Union, the United Nations and the World Bank. A number of bilateral donors are also participating into the RNA, either directly or by sharing their own needs assessments with the RNA team for cross-validation.

56. Most donors are waiting to see the RNA results to redefine their current and future engagement. Aside from the immediate humanitarian support provided by many donors and organization, donors are starting to evaluate their capacity to commit new funds or reallocate undisbursed amounts under their portfolio to support the disaster recovery. Additional financing has for example been discussed by the Council of Europe Development Bank (USD 10.5 million); IMF (USD 133 million); Austrian Government (USD 0.72 million); and USAID (USD 10 million). The European Commission and the European Bank for Reconstruction and Development (EBRD) are considering how to restructure existing portfolios to assist with flood-related repairs. Other potential sources, partly contingent on the results of the Recovery Needs Assessment, include for example: regional institutions such as the European Investment Bank (EIB); and the United Nations Development Programme; as well as bilateral actors such as the Kreditanstalt für Wiederaufbau (KfW); the Kuwaiti Fund for Development; the Norwegian Cooperation; the Saudi Fund; and the Swiss Cooperation, among others. However, at this stage most donors are still in a waiting mode pending the completion of the RNA.

57. The close dialogue and coordination will continue during the implementation phase. During implementation, continued coordination with the main partners in the priority sectors of this operation will continue, including with the EU (transport), Water (UNDP, Swiss Cooperation), Municipal Services (KfW) etc. However, the main coordination with partners will occur on the Recipient's side, through the demand-driven decision making process under Component 2 that will allow local government to prioritize activities based on other resources available, and the Steering Committees to ensure overall coordination before endorsing the final lists of activities.

APPENDIX: SAFEGUARDS ACTION PLAN (for deferred safeguards preparation)

Planned project activities

1. Recognizing the emergency nature of the proposed operation, and the related need for providing immediate assistance, while at the same time ensuring due diligence in managing potential environmental and social risks, this Plan is based on the following principles:

- The proposed operations will support multiple subprojects, the detailed designs of which may not be known at the time of project Appraisal. To ensure effective application of the World Bank's safeguard policies, an Environmental and Social Framework document has been developed providing the approach to be taken during implementation for the selection and design of subprojects and the planning of mitigation measures;
- The proposed operation will not support environmental Category A¹⁵ subprojects nor subprojects requiring permanent land acquisition. Since the activities supported under this operation are focused on rehabilitation and reconstruction, temporary land use may be anticipated, and as such a precautionary Resettlement Policy Framework document will be developed by the Client. An Environmental and Social Management Framework will be developed by the Client prior to disbursement of funds under Components 2 and 3, and will provide additional guidelines on the development of Environmental Management Plans (EMPs) for individual subprojects that may require them. The ESMF will also ensure that the proposed subprojects will be screened to ensure that the environmental and social risks can be adequately addressed through the application of standardized guidelines and codes of practice;
- Recently developed ESMF and RPF for the Drina Flood Protection Project (approved on May 16, 2014) will be revised and adapted to suit the specificities of the project. The documents have been prepared in compliance with the Bank's OP 4.01 and OP 4.12 policies and relevant RS and FBiH legislation with the aim to minimize and mitigate adverse impacts on environment and affected population. Both documents have been prepared following disclosure and public consultations in the areas that are also relevant for this project such as Bijeljina, Gorazde, Sarajevo and Banja Luka.
- The project triggers the International Waterways policy, and as such, the state level Ministry of Foreign Trade and Economic Relations will send a notification to the International Sava River Basin Commission that will be shared with the riparian countries (Serbia and Croatia). The Commission will also serve as a communication channel for the duration of the project.
- Project design and subproject selection will be based on the environmental sustainability and social equity principles.
- The RPF and ESMF developed for the Drina Flood Protection Project have been prepared with prior and informed consultations. The revised versions will be re-disclosed in country and through the World Bank Infoshop.
- The ESMF and RPF are condition for disbursement of project funds under Components 2 and 3. The updated versions of ESMF and RPF will be submitted to the World Bank team

¹⁵ As defined in World Bank Operational Policy 4.01 on Environmental Assessment. Also corresponding to the projects and activities for which an environmental permit based on a full Environmental Impact Assessment report is mandatory under the corresponding bylaws of the Entity Laws on Environmental Protection.

in a draft form by September 8, 2014. Pending review and comments from the World Bank team, the ESMF and RPF will be re-disclosed by September 26, 2014.

Subproject activities NOT eligible for financing
GENERAL CHARACTERISTICS
<p>Corresponds to World Bank Category A project. Has a significant and irreversible environmental impact and requires a mandatory environmental license based on a full Environmental Impact Assessment report as per the entity bylaws on “<i>plants and processes that require an environmental permit</i>” (under the Laws on Environmental Protection in RS and FBIH)</p>
<p>Involves significant conversion or degradation of critical natural habitats. These may include, but not be limited to any protected areas, protected landscapes or nature parks including the Bardača special reserve area. No works, other than removal of debris and repair of pre-existing infrastructure is allowed.</p>
<p>Will involve works and potential damages on any of the listed or potential cultural heritage sites and buildings that are proclaimed as such by the State Level Commission for the Preservation of Monuments and the responsible Entity Institutes for Monument Protection.</p>
<p>Require pesticides that fall in WHO classes IA, IB or II</p>
<p>Require displacement/resettlement of affected population.</p>
<p>Repair of privately owned production facilities/ houses.</p>
<p>Supports commercial logging or plantations in forested areas. Any “salvage logging” operations (which might be undertaken as a result of damage to forests)</p>
<p>Drinking Water Supply: New or expansion of piped water scheme to serve 500 or more households.</p>
<p>Sanitation: New or significant expansion of sewerage or wastewater treatment plant. Rehabilitation of existing wastewater treatment plant.</p>
<p>Solid Waste: New or significant expansion of sanitary and engineered disposal sites. No expansion of open municipal dump-sites.</p>
<p>Roads and Infrastructure: New roads. Widening of primary roads Construction of new temporary or permanent infrastructure to bypass devastated areas which have a segment length greater than 500 m and cumulative length of 2,000 m within a corridor of 10 km or less</p>
<p>Agriculture/Irrigation: Procurement of seeds or planting material for crops meant for consumption, without prior soil sampling to ensure no contamination and/or heavy metal presence in soil Procurement of seeds and seedlings allowed only with guidance of the relevant agriculture/plant institutes in country New irrigation scheme or expansion of a scheme requiring increased water intake. New tube-well for irrigation.</p>
<p>River Basin Management: Repair of dykes or dams that are higher than 5 m or store water volumes larger than 1,000,000 m³ construction of new, or substantial expansion of existing flood protection works, including the conversion of floodplains or riverine forests.</p>
<p>Power: New power generating capacity of more than 5 MW Rehabilitation of hydro-electric power station with dam, or entailing alteration of the water flow regime.</p>
<p>Oil and Gas: New distribution</p>
<p>Income Generating Activities: Activities involving use of unsustainably harvested timber or fuel-wood. Activities involving the use of hazardous substances such as pesticides/herbicides, explosives, products deemed illegal by national laws, PCBs, radioactive materials unbound asbestos fibers,</p>

Any significant, meaningful alternatives considered in project approach and/or design

2. The ESMF will enlist the criteria for screening and exclusion of subprojects corresponding to Category A and other subprojects that may have irreversible impacts or trigger additional policies. It will also contain measures such as screening, consultations, preparation and implementation of the Resettlement Action Plan (RAP), if required, and extension of entitlements. The mitigation measures will be integrated into the subproject planning, design, implementation, operation and maintenance. In addition, social inclusion measures to address the special needs of the women, vulnerable families and marginalized communities have been incorporated as well as guidelines for prior and informed consultation with the respective municipalities/communities, grievance redress, information disclosure and monitoring and evaluation.

Sequencing and implementation schedule for safeguards processing

3. The ESMF and RPF are condition for disbursement of project funds. The Client will undertake updating of the existing Drina Flood Protection project Environmental and Social Management Framework (ESMF) and Resettlement Policy Framework (RPF) that will be submitted to the World Bank team in draft form by September 8, 2014. Pending review and comments from the World Bank team the ESMF and RPF will be re-disclosed by September 26, 2014 in country and through the World Bank's Infoshop.

Roles and responsibilities in implementation

4. To ensure prompt and efficient implementation, the arrangement with the existing PIUs (APCU in the Ministry of Agriculture, Forestry and Water Management in RS, and PIU in Ministry of Agriculture, Water Management and Forestry in FBiH) implementing several Bank-funded projects (agriculture/rural development; irrigation development; flood protection and forestry) will also implement this Project. The PIUs are familiar with the provisions of the Bank's safeguards policies, their implementation and monitoring in line with the provisions set out in the relevant safeguards instruments - ESMF/EMPs and RPF/RAPs. Experienced safeguards specialists are assigned in the PIUs. However, given the magnitude of the work ahead, the PIUs can be strengthened with additional safeguards staff, if needed.

5. The specific environmental requirements for the project activities, as set forth in the ESMF and the subsequent EMPs where needed, will be a part of the bidding documents and will be provided to the contractor / workers to implement.

6. A site supervisor / engineer will have the EMP provisions and the monitoring plan included in the scope of their work and contract to ensure that supervision of all mitigation and monitoring measures is met. World Bank team will provide additional supervision to make sure that all works are conducted in line with this Framework and with the ESMF, EMPs and RPF/RAPs if needed.

Estimated costs for safeguards preparation and implementation process

7. Some USD 30,000 for preparation of documents (ESMF and RPF) and USD 20,000 for implementation and supervision consultants.

ANNEX 4. OPERATIONAL RISK ASSESSMENT FRAMEWORK (ORAF)

Risks						
1. Project Stakeholder Risks						
1.1 Stakeholder Risk	Rating	Substantial				
<p>Risk Description:</p> <p>1. The proposed project is the highest priority for all levels of government in Bosnia and Herzegovina due to the urgent need to initiate recovery in the areas affected by catastrophic floods. However, there is a risk that this commitment would fade away as political parties start campaigning for general elections scheduled for October 2014.</p> <p>2. There is also a risk that the prospect of general elections and irregular meetings of the state and entity level parliaments may result in effectiveness delays.</p>	<p>Risk Management:</p> <p>1. No changes are expected in commitment for investments in flood recovery with changes of governments. It is in the interest of both the outgoing and incoming governments to demonstrate strong commitment to provide assistance to the most affected areas. The entities are moving forward with creation of multi-sectoral Steering Committees that will oversee the implementation of this project and coordinate the overall recovery response. In addition, the project design envisages that the local governments will have a role in identifying priority investments under Subcomponent 2A. Functioning of the local governments will not be affected by general elections. Local elections are scheduled for October 2016 by which time the project should already be in an advanced stage of implementation and thus at little risk of adverse political influences.</p>					
	Resp: Govt	Status: ongoing	Stage: prep/impl	Recurrent: <input checked="" type="checkbox"/>	Due date: ongoing	Frequency: continuous
	<p>Risk Management:</p> <p>2. The state level authorities will process this operation using the emergency procedures. This is expected to substantially reduce the time needed to finalize parliamentary ratification, and obtain approval by the Presidency. Entity governments already started the process of preparing the paperwork for parliamentary approval which is required ahead of signing of the Project Agreements. The Bank will ensure that signing packages are ready immediately after the Board approval.</p>					
	Resp: Govt and Bank	Status: not yet due	Stage: after approval	Recurrent:	Due Date: Sept 30, 2014	Frequency: once
Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:	

3. Implementing Agency (IA) Risks (including Fiduciary Risks)						
3.1 Capacity	Rating	Substantial				
<p>Risk Description:</p> <p>1. Although the PIUs have a track record of successful implementation of the Bank financed operations, fiduciary capacity may be insufficient in peak times, especially in procurement and contract management as the PIUs are also responsible for other Bank financed operations. The capacity of the RS PCU may be further compromised as they will be responsible to manage activities in Brčko district part of the project.</p> <p>2. The PIUs do not have technical staff to appraise projects in all sectors that the project is likely to cover (transport, energy, repair of public buildings), and will have to mobilize resources from other line ministries.</p>	<p>Risk Management:</p> <p>1. The Bank team reviewed fiduciary capacity of the PIUs and envisaged strengthening of these capacities for the purposes of this project. Additional staff will be hired and specifically tailored rapid trainings in procurement and financial management will be delivered to the new staff.</p>					
	Resp: both	Status: ongoing	Stage: prep/impl	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: Quarterly
	<p>Risk Management:</p> <p>2. The team also conducted an assessment to identify what additional strengthening of the PIUs is needed to ensure effective implementation. Both PIUs were advised to immediately hire project coordinators, and develop arrangement with the line ministries for energy, and transport to assign staff who will be at the disposal for the purposes of this project. Should such arrangements not be possible, the PIUs will hire required technical staff.</p>					
	Resp: both	Status: ongoing	Stage: prep/impl	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: Quarterly
3.2 Governance	Rating	Substantial				
<p>Risk Description:</p> <p>Given the country's complex state/entity governance structure, and not tested capacity of the Steering Committee which will be established to coordinate the overall project implementation there are risks of delays in effectiveness and implementation.</p>	<p>Risk Management:</p> <p>This risk cannot be fully mitigated. However, there is significant pressure on the authorities to extend efficient support to the floods affected areas. Both entities have already moved in setting up adequate institutional arrangements that will serve as Steering Committees for the project but also coordinate the overall recovery effort. Similarly, the incoming governments will want to demonstrate their responsiveness and it is likely that they will aim at accelerating the implementation of the project.</p>					
	Resp: Govt and Bank	Status: not yet due	Stage: impl	Recurrent:	Due Date:	Frequency: Quarterly

4. Project Risks						
4.1 Design	Rating	Substantial				
Risk Description: 1. Local governments may propose projects that are not based on public participation and/or demand. Resources may be spread too thinly to have an impact. 2. Huge needs for investments may generate competition over limited project resources and lead to pressure by line ministries to direct resources for priorities in their respective areas.	Risk Management: 1. The project will establish the eligibility criteria for allocation of resources to the most affected areas. The Operations Manual will outline the detailed eligibility criteria based on the findings from the Recovery Needs Assessment. The multi-sectoral Steering Committee will review proposals from local governments and ensure that the proposed subprojects are also in line with the priorities outlined in the Recovery Needs Assessment. Furthermore, most local governments have community consultation mechanisms developed to prioritize capital investments. These mechanisms are expected to be utilized in identifying subprojects to be financed under this project.					
	Resp: Govt and Bank	Status: in progress	Stage: prep/impl	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: continuous
	Risk Management: 2. The Steering Committee will review proposals from local governments and ensure that the proposed subprojects are also in line with the priorities outlined in the Recovery Needs Assessment, and availability of funding from other sources. Ministries of finance are expected to play a key role in guiding the operations of the Steering Committees, and have a final say on allocation of resources between the sectors.					
	Resp: Govt	Status: in progress	Stage: impl	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: continuous
4.2 Social and Environmental	Rating	Moderate				
Risk Description: There is a risk that potential environmental impacts of the planned subprojects may be left unmitigated. A risk also exists related to landmines.	Risk Management: Environmental and Social Safeguards Specialist will be engaged and will be responsible for safeguards oversight both in the Bank and counterpart teams. Annual technical audits will cover safeguards compliance. The project will not finance any subprojects in the areas suspected of containing landmines.					
	Resp: Govt and Bank	Status: not yet due	Stage: prep/impl	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: annually
4.3. Program and Donor	Rating	Low				

<p>Risk Description:</p> <p>Many development partners are expected to provide assistance in the recovery. There is a risk that funding from different sources will not be well coordinated.</p>	<p>Risk Management:</p> <p>There is little risk of duplication due to a very high need for investments to repair flood damages. Both entities are developing institutional arrangements to coordinate the recovery efforts.</p>					
	Resp: Govt	Status: in progress	Stage: impl	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: continuous
<p>4.4 Delivery Monitoring and Sustainability</p>	Rating	Moderate				
<p>Risk Description:</p> <p>1. The distribution of subprojects across different sectors and locations may render progress monitoring difficult.</p> <p>2. BiH is vulnerable to natural hazards which may undermine sustainability of investments made under the project, as mentioned in the PAD. The team may consider linking risk management measures with actions that will follow the "Recovery Needs Assessment", technology options ("build better principle") and sector dialogue (for longer-term solutions including public finance).</p>	<p>Risk Management:</p> <p>1. The PIU in the FBH will consider enhancing the field presence by setting up two regional offices (one in Central Bosnia, and another in the northern part of the FBiH). The RS PCU will consider utilizing the existing network of extension offices of the RS Ministry of Agriculture, Water management and Forestry to assist in monitoring the progress in implementation of subprojects. A separate Project Implementation Team (PIT) will be established for the Brčko District part of the project.</p>					
	Resp: Govt and Bank	Status: not yet due	Stage: impl	Recurrent: <input type="checkbox"/>	Due Date:	Frequency: continuous
	<p>Risk Management:</p> <p>1. Reconstruction works under the project will be based on the “build back better” principle. In the design and rehabilitation or reconstruction of project-funded infrastructure, particular care will be put in improving resilience of the infrastructure to future flooding as well as improved construction and efficiency standards (“build back better” concept).</p>					
	Resp: Govt	Status: not yet due	Stage: impl	Recurrent: <input type="checkbox"/>	Due Date:	Frequency: continuous
<p>Overall Risk</p> <p>Overall Implementation Risk: Substantial</p>						

ANNEX 5: IMPLEMENTATION SUPPORT PLAN

A. Strategy and approach for the implementation support

1. **Overview.** The Implementation Support Plan (ISP) for the Project has been developed based on the specific and multi-sector nature of the project, the planned implementation schedule, lessons learned from similar emergency operations, and specific needs as identified in the ORAF (See Annex 4), as well as the fact that the project was prepared based on an emergency procedure. The ISP envisages frequent implementation support missions by a multi-sectoral team. The Bank team will monitor implementation progress through: i) reporting against the key performance indicators as outlined in the results framework; ii) entity level project reports; iii) independent verification of progress through field visits; iv) fiduciary oversight of the PIU and APCU activities; and v) regular communication with the entity level Steering Committees, and the PIU and APCU counterparts.

2. Project implementation will be supported by the task team based out of the Sarajevo Country Office and regional offices. This will ensure that it is possible to rapidly field missions should the need arise. Formal missions will be conducted at least three times during the first year of implementation and semi-annually thereafter.

B. Implementation Support Plan

3. The following ISP reflects the preliminary estimates of the skill, timing, and resource requirements over the implementation period of the Project. The ISP will be reviewed from time to time to ensure that it continues to meet the implementation support needs of the Project.

4. **Procurement, Financial Management, Environmental and Social Safeguards.** The Bank's procurement, financial management, environmental and social safeguards specialists are mostly field based and will provide regular implementation support and technical assistance to the counterpart teams during the project implementation. These team members will also identify capacity building needs to strengthen procurement, financial management, and safeguard capacity of the project implementation units.

- **Procurement.** In addition to the procurement prior review to be carried out by the Task Team, procurement support missions will be undertaken once a year to carry out post review of procurement actions in the field. The Procurement specialist will provide focused procurement support including: (i) reviewing procurement documents and providing timely feedback to the counterparts; (ii) providing detailed advice and guidance on the application of the World Bank's Procurement Guidelines; and, (iii) monitoring procurement progress against the Procurement Plan.
- **Financial management.** The Bank will conduct risk-based financial management supervisions, at appropriate intervals, in the following ways: (a) review the project's quarterly financial reports, the project's annual audited financial statements, the auditor's management letter and remedial actions, if any; and (b) during the Bank's on-site supervision missions, review the following key areas (i) project accounting and internal control systems; (ii) budgeting and financial planning arrangements; (iii) disbursement management and financial flows, including counterpart funds, as applicable; and (iv) any incidences of corrupt practices involving project resources. As required, a Bank-accredited Financial Management Specialist will assist in the supervision process.
- **Environment and social safeguards.** During the period of civil works the environmental and social safeguards specialists shall make annual or more frequent mission visits to

ensure compliance with project safeguard requirements. Between missions they will review the supervision consultant's reports to monitor progress and identify issues that may arise. The Safeguards specialists will monitor the implementation in accordance with the Bank safeguard policies, and advise on corrective measures as needed. The implementation of the EMP will be closely monitored, both through reviewing the supervision consultant's reports and through field visits.

Table 4 Skills and Resource Requirements

Time (months)	Focus	Skills Needed	Resource Estimate (Staff Weeks)
First six	Technical review of procurement bidding documents	Building Engineer	3
		Procurement Specialist	2
	Technical review of TA documents	Technical Specialists	4
	Environmental Monitoring	Environmental Specialist	2
	Resettlement Monitoring	Social Specialist	3
	Review of financial management	Financial Specialist	1
	Implementation Support	ACS	4
	Team Leadership	TTL	10
Six-36	Project Construction	Building Engineer	6
	Technical Reviews of TA Outputs	Technical Specialists	5
	Environmental Monitoring	Environ. Specialist	5
	Resettlement Monitoring	Social Specialist	4
	Review of procurement documents	Procurement Specialist	8
	Review of financial management	Financial Specialist	3
	Implementation Support	ACS	12
	Team Leadership	TTL	36

Table 5 World Bank Skills Mix Required

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Team Leadership	46	10	
Environmental Specialist	7	6	
Financial Specialist	4	4	
Building Engineer	8	6	
Implementation Support	16	2	
Procurement Specialist	12	3	
Social Specialist	9	6	
Technical Specialists	13	5	In various disciplines (DRM, Transport, Energy, Agriculture, Water)

ANNEX 6: TEAM COMPOSITION

World Bank staff and consultants who worked on the project:

Name	Title	Specialization	Unit
David Michaud	Senior Water and Sanitation Specialist	Task Team Leader and water and sanitation	ECSUW
Goran Tinjic	Senior Operation Officer	Co-Task Team Leader	ECCBM
Ahmed Shawky	Senior Water Resources Specialist	Agriculture & Rural Development	ECSAR
Daniel Gerber	Rural Development Specialist	Agriculture & Rural Development	ECSAR
Olivera Jordanovic	Operations Officer	Agriculture & Rural Development	ECSEN
Salvador Rivera	Lead Energy Specialist	Energy	ECSEG
Jari Vayrynen	Senior Environmental Specialist	Energy	ECSEG
Dzenan Malovic	Associate Operations Officer	Energy	CEUSB
Marinos Skempas	Consultant	Transport	ECSTR
Adam Shayne	Lead Counsel	Lawyer	LEGLE
Jose Martinez	Senior Procurement Specialist	Procurement	ECSO2
Nikola Kerleta	Procurement Specialist	Procurement	ECSO2
Lamija Marijanovic	Financial Management Specialist	Financial Management	ECSO3
Jose Janeiro	Senior Finance Officer	Disbursement	CTRLA
Esma Kreso	Environmental Specialist	Environment	ECSEN
Vera Dugandzic	Senior Operations Officer	Social aspects	ECSSO
Ko Takeuchi	Disaster Risk Management Specialist	Economic analysis	ECSUW
Sanela Ljuca	Operations Officer	CMU Inputs	ECCBM
Elif Ayhan	Senior Urban Specialist	Disaster Risk Management	ECSUW
Erdem Ergin	Consultant	Disaster Risk Management	ECSUW
Joaquin Toro	Senior Disaster Risk Management Specialist	Disaster Risk Management	ECSUW
Delphine Hamilton	Senior Program Assistant	ACS	ECSSD
Senad Sacic	Program Assistant	ACS	ECCMB
Leena Chaukulkar	Senior Operations Officer	ECA quality	ECSO1
Marc Forni	Senior Disaster Risk Management Specialist	Peer reviewer	SASDC
Orhan Niksic	Senior Economist	Peer reviewer	MNSD
Michelle Keane	Lead Country Officer	Peer reviewer	LCCHT

ANNEX 7: ECONOMIC AND FINANCIAL ANALYSIS

1. **The proposed project is addressing the immediate needs in terms of goods, equipment and services, arising from the recent floods,** and will support the rehabilitation of damaged infrastructure and interrupted public services related to – among others – transport, energy, water supply and sanitation, and rural development. Component 1 will provide immediate relief in terms of goods, equipment and service to alleviate current misery and prevent further harm to the affected population of the area. Component 2 seeks to rehabilitate the damaged infrastructure. Being an emergency response/ recovery project, some of the investments will only be clearly defined during implementation and the supporting economic analysis will have to rely on limited data and information to quantify costs and benefits.

Emergency Disaster Recovery Goods (Component 1)

2. With interrupted supply chains due to damaged roads and defaulting services, there is an increased risk of further losses to be incurred by the already affected population from interrupted power and water supplies, and non-availability of commodities in proximity to maintain minimum consumption. By supporting emergency assistance to restore these supply chains – from delivering fuels to the thermal power plant and recovery effort vehicles, to providing equipment for immediate removal of debris impeding transportation – the project is preventing further welfare losses in the affected area.

3. Three likely benefits have been identified to arise from these emergency measures: (a) preventing production loss arising from the potential power outage, unless the thermal power plant is supplied with sufficient fuels; (b) preventing productivity loss due to further distances or longer time spent to overcome the lack of essential goods and services, by facilitating debris/ mud removal from the roads in the affected areas; and (c) preventing productivity loss due to scarce agricultural inputs such as seeds, fertilizers, etc. and damaged agricultural equipment. The analysis assumes that emergency measures extended under the project will shorten the restoration period by 10 to 20 days in key sectors, e.g. energy supply, transportation and agriculture, compared to the scenario without the project intervention. This is a conservative assumption, considering that power outages reported are still extensive and the road network is still in large parts affected and unnavigable.

4. Recent estimates from the WB enterprise survey show that, at country level, firms experienced a 0.3% decline in sales in 2013 due to a 1 day power outage each month, on average.¹⁶ Applying these estimates to the affected area (40 percent of the country) suggests a potential loss of a single day of power outage of USD1.7 million. In order to avoid double-counting of the production loss in the agriculture sector described in paragraph 6 and 7, 90.2 percent¹⁷ of this loss (USD1.6 million) is used as the production loss due to power outage (excluding the impact on the agriculture sector). The area GDP (excluding the agriculture sector) affected by the floods is estimated to be approximately USD6.303 billion¹⁸, and a 10 to 20 day power outage could thus amount to USD15.8 to 31.5 million in losses.

¹⁶ The World Bank & International Finance Corporation, 2014, "Bosnia and Herzegovina Country Profile 2013: Enterprise Surveys"

¹⁷ The GDP share of the agriculture sector is 9.8% (The World Bank, 2014, "World Bank Group – Bosnia and Herzegovina Partnership: Country Program Snapshot April 2014"). The calculation of the production loss of power outage excluding the impacts on the agriculture sector assumes that the production loss due to power outage in the agriculture sector is proportionate to the agricultural GDP share.

¹⁸ The area GDP is calculated as 40 percent of the country's national annual GDP in 2012 (<http://data.worldbank.org/country/bosnia-and-herzegovina> (Accessed on May 30, 2014))

5. As the affected population in the project area, estimated at 1.5 million (or about 902 thousand households)¹⁹, is striving to restore their livelihoods, each journey they make to ensure sufficient supplies (food, fodder, other) requires additional time. As the project proposes to reduce these supply chain constraints, by either moving the supplies closer to where needed or removing the constraints to travel to reach supplies, the prevented productivity loss is being estimated, using the minimum wage per hour in 2011²⁰ (approximately USD 2) and assuming each household spends 2 hours more each day to secure essential necessities. The analysis also assumes that 70% of the roads in the affected area require debris/ mud removal, and the remaining 30% requires rehabilitation/ reconstruction. Again, in order to avoid double-counting of the production loss in the agriculture sector, the prevented productivity loss due to longer time to access agricultural goods is deducted from the benefits. Based on these assumptions, a lower bound estimate (10 days) yields a prevented productivity loss of USD5.7 million and a higher bound estimate (20 days) would generate a prevented loss or benefit of USD11.4 million.

6. Agricultural sector shares 9.8 percent of national GDP²¹. Again, assuming that 40 percent of the agricultural land and production system is affected by the floods, the estimated loss is USD684 million. Shortened restoration period of the agricultural production system for 10 days yields a prevented productivity loss of USD18.8 million and USD37.5 million for 20 days.

7. Based on the calculations above, the expected benefits from only three interventions would range between USD40.2 to 80.4 million, generating a cost benefits ratio of 1.01 to 2.01. This is not including any other benefit in the form of medical supplies and other health benefits (from improved or continued water) that might be generated under the emergency response. Neither does it include other economic benefits such as preventing further risk of financial defaults by rural farmers.

Rehabilitation of Key Public Infrastructure (Component 2)

8. This component assists in the rehabilitation/reconstruction of public infrastructure in rural development, energy supply, transport and water and sanitation, and will likely include activities such as rehabilitation, reconstruction of local roads and bridges, power transmission/ distribution systems, water treatment plants and pumping stations and farming facilities. As the activities to be financed under this component have not been fixed, the ERR figures of similar activities in other projects are indicated below for reference.

Table 6 Reference of ERR for potential activities to be financed under the project

Activity	ERR	Source
Rehabilitation/ reconstruction of secondary roads	22%	Calculated specifically for this project
Rehabilitation of transmission/ distribution system	35%	Palestine
	39%	Zambia
Water pipe connection	62%	Moldova
Rehabilitation works of rural infrastructure	14.3%	Madagascar

9. **Rehabilitation/ reconstruction of secondary roads.** The benefit of rehabilitating/ reconstructing secondary roads will also come from the reduction in the hours people spend for

¹⁹ The number of affected households are calculated by assuming that 40 percent of the national population is affected and that the average household size is 3.4 members per household (Ministry for Human Rights and Refugees of Bosnia and Herzegovina, 2007, "Housing and Urban Profile of Bosnia and Herzegovina").

²⁰ European Foundation for the Improvement of Living and Working Conditions, 2012, "Bosnia and Herzegovina: Industrial relations profile"

²¹ The World Bank, 2014, "World Bank Group – Bosnia and Herzegovina Partnership: Country Program Snapshot April 2014"

longer routes, using other transport means, etc. to acquire goods and services, as calculated for component 1. The cost of rehabilitation/ reconstruction of secondary roads is estimated at USD 240,000 per km, based on World Bank's review of the road works contracts in Europe and Central Asia region²². Using the average national road density, 0.45 km per square km²³, and assuming that 30% of the affected roads require rehabilitation/ reconstruction, the road length requiring rehabilitation is 2,765 km. If the project rehabilitates 50 km out of the total affected road length of 2,765 km, the annual benefit from reduced travel time is USD6.0 million²⁴. Assuming the road life period is 20 years and the annual maintenance cost is 20 percent of the initial capital cost, the ERR is 22 percent. This is not including any other benefit, such as the reduction of vehicle operation cost, which is usually taken into consideration for economic analysis in the transportation sector. The benefits from this investment will materialize only from 2019 onwards, and therefore does not overlap with the emergency response measures under Component 1.

10. **Power distribution system.** Rehabilitation of transmission/ distribution networks of recent Bank-funded projects generally show reasonable ERR. The Gaza Electricity Network Rehabilitation Project estimated the ERRs as 35 percent, and the Lusaka Transmission and Distribution Rehabilitation Project estimated 39 percent.

11. **Water supply.** The main benefit, which comes from investments in the water supply system is the reduction of time spent on the collection of water and cost of water storage. The Moldova Regional Development Project showed an ERR of 62 percent.

12. **Rehabilitation works of rural infrastructure.** A recent project on Emergency Food Security and Social Protection in Madagascar, including similar activities to clear and rehabilitate rural roads and auxiliary infrastructure, has an estimated ERR of 14.3 percent.

²² V. Alexeeva, C. Queiroz, & S. Ishihara, 2011, "Monitoring Road Works Contracts and Unit Costs for Enhanced Governance in Europe and Central Asia", Transport Papers, The World Bank.

²³ <http://data.worldbank.org/indicator/IS.ROD.DNST.K2> (Accessed on May 30, 2014)

²⁴ Using the same calculation approach as in component 1, the hours of extra travel time per household is 902,118 per day or 329 million per year. The share of this extra travel time for the 50 km to be rehabilitated out of total damaged road of 2,765 km is USD 6.0 million.

BOSNIA AND HERZEGOVINA FLOODS EMERGENCY RECOVERY PROJECT

- MOST AFFECTED MUNICIPALITIES (AS PER UN SITUATION REPORT OF JUNE 12TH, 2014)
- URBAN AREAS
- EXTENT OF MAY 2014 FLOODS

- TOWNS
- ⊕ NATIONAL CAPITAL
- MAIN RIVERS
- MUNICIPALITY BOUNDARIES
- INTER-ENTITY BOUNDARY LINES
- INTERNATIONAL BOUNDARIES



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