March 30, 2012

H.E. Nikola Spiric
Minister of Finance and Treasury
Trg BiH 1
71000 Sarajevo
Bosnia and Herzegovina

Excellency:

Re: Grant No. TF011422 (Water Quality Protection Project: Zivinice Water and Sanitation Project)

Additional Instructions: Disbursement

I refer to the Letter Agreement ("Agreement") between Bosnia and Herzegovina ("Recipient") and the International Bank for Reconstruction and Development ("World Bank"), acting as administrator of the European Commission for the European Union Instrument for Pre-Accession Trust Fund (EC IPA TF) funds provided by the European Commission for the above-referenced project, dated March 30, 2012. The Agreement provides that the World Bank may issue additional instructions regarding the withdrawal of the proceeds of Grant TF011422 ("Grant"). This letter ("Disbursement Letter"), as revised from time to time, constitutes the additional instructions.

The attached World Bank Disbursement Guidelines for Projects, dated May 1, 2006, ("Disbursement Guidelines") (Attachment 1), are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Grant is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

I. Disbursement Arrangements

(i) Disbursement Methods (section 2). The following Disbursement Methods may be used under the Grant:

- Reimbursement
- Advance
- Direct Payment
- Special Commitment

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date coincides with the Closing Date specified in the Grant Agreement. Any changes to this date will be
notified by the World Bank.

(iii) Disbursement Conditions (subsection 3.8). Please refer to the Disbursement Conditions in the Grant Agreement.

(i) Authorized Signatures (subsection 3.1). A letter in the Form attached (Attachment 2) should be furnished to the World Bank at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank
1818 H Street, N.W.
Washington, D.C., 20433
United States of America
Attention: Jane Armitage, Country Director

(ii) Applications (subsections 3.2 - 3.3). Please provide completed and signed (a) applications for withdrawal, together with supporting documents, and (b) applications for special commitments, together with a copy of the commercial bank letter of credit, to the address indicated below:

The World Bank
Radnicka cesta, 9th floor.
Zagreb, HR - 10 000
Croatia
Attention: Loan Department

(iii) Electronic Delivery (subsection 3.4) The World Bank may permit the Recipient to electronically deliver to the World Bank Applications (with supporting documents) through the World Bank’s Client Connection, web-based portal. The option to deliver Applications to the World Bank by electronic means may be effected if: (a) the Recipient has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification devices ("Tokens") from the World Bank for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Recipient have registered as users of Client Connection. If the World Bank agrees, the World Bank will provide the Recipient with Tokens for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (https://clientconnection.worldbank.org). The Recipient may continue to exercise the option of preparing and delivering Applications in paper form. The World Bank reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Recipient.

(iv) Terms and Conditions of Use of Tokens to Process Applications. By designating officials to accept Tokens and by choosing to deliver the Applications electronically, the Recipient confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and
Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation ("Terms and Conditions of Use of Tokens") provided in Attachment 3; and (b) to deliver the Terms and Conditions of Use of Tokens to each such official and to cause such official to abide by those terms and conditions.

(v) **Minimum Value of Applications (subsection 3.5).** The Minimum Value of Applications for direct payments and issuance of special commitments is US$80,000

(vi) **Advances (sections 5 and 6).**

- **Type of Designated Account[s] (subsection 5.3):** Segregated – exclusively for proceeds of this Grant

- **Currency of Designated Account[s] (subsection 5.4):** US Dollars (US$)

- **Financial Institution at which the Designated Account[s] Will Be Opened (subsection 5.5):** A commercial bank acceptable to the World Bank.

- **Ceiling (subsection 6.1):** US$400,000

**III. Reporting on Use of Grant Proceeds**

(i) **Supporting Documentation (section 4).** Supporting documentation should be provided with each application for withdrawal as set out below:

- **For requests for Reimbursement:**
  - List of payments against contracts that are subject to the World Bank’s prior review, in the form attached (Attachment 5)
  - Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments for works against contracts valued at US$300,000 equivalent or more; for goods against contracts valued at US$200,000 equivalent or more; for consultant services against contracts valued at US$100,000 equivalent or more for firms and at US$50,000 equivalent or more for individual consultants, and
  - Statement of Expenditure in the form attached (Attachment 4) for all other expenditures/contracts

- **For reporting eligible expenditures paid from the Designated Account:**
  - List of payments against contracts that are subject to the World Bank’s prior review, in the form attached (Attachment 5)
  - Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments for works against contracts valued at US$300,000 equivalent or more; for goods against contracts valued at US$200,000 equivalent or more; for consultant services against contracts valued at US$100,000 equivalent or more for firms and at US$50,000 equivalent or more for individual consultants, and
• Statement of Expenditure in the form attached (Attachment 4) for all other expenditures/contracts

• For requests for Direct Payment: records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices

(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3): Replenishment applications should be submitted monthly. The replenishment application must include reconciled bank statements as well as other appropriate supporting documentation.

IV. Other Important Information


From the Client Connection website, you will be able to download Applications, monitor the near real-time status of the Grant, and retrieve related policy, financial, and procurement information.

If you have not already done so, the World Bank recommends that you register as a user of the Client Connection website (https://clientconnection.worldbank.org). From this website you will be able to download Applications, monitor the near real-time status of the Grant, and retrieve related policy, financial, and procurement information. All Recipient officials authorized to sign and deliver Applications by electronic means are required to register with Client Connection before electronic delivery can be effected. For more information about the website and registration arrangements, please contact the World Bank by email at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact Jose Janeiro, Senior Finance Officer at loa-eca@worldbank.org using the above reference.

Yours sincerely,

Ánabela Abreu
Country Manager
World Bank Office: Sarajevo
Attachments: Please note that attachments 4 and 5, as per the Disbursement Letter for the EC IPA Trust Fund Grant No. TF011422, dated March 30, 2012, and also being implemented by the same entity are valid for this Grant.

Attachment 1: World Bank Disbursement Guidelines for Projects
Attachment 2: Form for Authorized Signatures
Attachment 3: “Terms and Conditions of Use of Tokens”

Prepared by: Jose Janeiro, CTRLA

Cleared with and cc: Brenda Morata, LEGEM
Vesna Francic, Task Team Leader

Cc with copies: [Project Implementing Entity 1]
[street address]
[city], [country]
[email address]

[Project Implementing Entity 2]
[street address]
[city], [country]
[email address]