Loan Agreement

(Federation Road Sector Modernization Project)

between

BOSNIA AND HERZEGOVINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated November 09, 2016
LOAN AGREEMENT

AGREEMENT dated \textit{November 09}, 2016, between BOSNIA AND HERZEGOVINA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

\textbf{ARTICLE I — GENERAL CONDITIONS; DEFINITIONS}

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

\textbf{ARTICLE II — LOAN}

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of fifty-eight million Euro ($58,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

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

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25\%) of the Loan amount.

2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25\%) per annum on the Unwithdrawn Loan Balance.

2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the
Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.06. The Payment Dates are February 15 and August 15 in each year.

2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall cause the Federation to: (a) carry out the Project; or (b)
cause the Project to be carried by PC Roads FBH in accordance with the provisions of Article V of the General Conditions and the Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Events of Suspension consist of the following:

(a) Federation's legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Federation to perform any of its obligations under the Project Agreement or the Subsidiary Agreement.

(b) the Law on Public Roads Federation of Bosnia and Herzegovina, (Official Gazette no. 6/10 and 12/10) has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of PC Roads FBH to perform any of its obligations under the Implementation Agreement.

4.02. The Additional Event of Acceleration consist of the following, namely that any of the event specified in paragraphs (a) or (b) of Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) PC Roads FBH has prepared and adopted a Project Operational Manual in form and substance satisfactory to the Bank.

(b) The Subsidiary Agreement has been executed on behalf of the Borrower and the Federation under terms and conditions satisfactory to the Bank.

(c) The Sub-Agreement has been executed on behalf of the Federation and PC Roads FBH under terms and conditions satisfactory to the Bank.

(d) The Co-financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.
5.02. The Additional Legal Matters consist of the following:

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

(b) the Sub-Agreement has been duly authorized or ratified by the Federation and PC FBH Roads and is legally binding upon the Federation and PC FBH Roads in accordance with its terms.

5.03. The Effectiveness Deadline is the date one hundred and eighty (180) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is its Minister of Finance and Treasury.

6.02. The Borrower’s Address is:

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

Facsimile:

(387-33) 202-930

6.03. The Bank’s Address is:

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

Telex: Facsimile:

248423(MCI) or 1-202-477-6391
64145(MCI)
AGREED at Sarajevo, Bosnia and Herzegovina, as of the day and year first above written.

BOSNIA AND HERZEGOVINA

By: 

Authorized Representative

Name: VIJEKOSLAV BOVANDA

Title: MINISTER

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: 

Authorized Representative

Name: TATIANA PROSUROVAYKOVA

Title: COUNTRY MANAGER
SCHEDULE 1

Project Description

The objectives of the Project are to: (a) improve road connectivity and safety for road users along Project Roads; and (b) strengthen capacity for sustainable management of the main road network in the Federation of Bosnia and Herzegovina.

The Project consists of the following parts:

Part 1: Road Upgrade and Modernization

Provision of support for the Federation’s roads modernization program through inter alia:

(a) construction of selected sections of the Neum-Stolac Road;
(b) construction of additional lanes for slow traffic on selected roads; and
(c) rehabilitation and reconstruction of selected roads sections, selected tunnels, and selected bridges.

Part 2: Road Safety Interventions

Provision of support to rehabilitate locations on main roads classified as Black Spots.

Part 3: Improving Main Road Network Management

(a) Provision of technical assistance to improve the Federation’s road asset data management system through inter alia: (i) upgrading of the road data collection system; (ii) upgrading the current Road Asset Management Information System and database; (iii) building internal practices in asset management such as preparation of rule books and terms of reference to ensure a regular and cost efficient system; and (iv) training staff on road asset management.

(b) Strengthening PC Roads FBH’s capacity to improve climate resilience of the road network through: (i) carrying out of assessments on the roads’ vulnerabilities to extreme climatic events and identifying technical solutions to improve their resilience; (ii) providing targeted training to staff on risk assessment and technical solutions; and (iii) purchasing of climate monitoring equipment.
Strengthening of PC Roads FBH's, FMoTC's capacity to mainstream safety in the design and implementation of their civil works including: (i) preparation of road safety audit guidelines and implementing measures on road safety; (ii) training staff on road safety; (iii) carrying out IRAP Surveys to inform preparation of Road Safety Investment Plans; and (iv) preparation of Road Safety Investment Plans.

Part 4: Project Management and Implementation

Provision of support to carry out Project management responsibilities including: (a) supervision of civil works; (b) carrying out annual Project financial audits; (c) monitoring; and (d) conducting technical audits.

Part 5: Contingency for Disaster Risk Response

Provision of support to respond to an Eligible Emergency including: (a) designing and carrying out roads sector investments such as rehabilitation of damaged roads and structures; and (b) providing supervision for carrying out said rehabilitation work.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall cause the Federation to: (a) carry out the Project; or (b) cause PC Roads FBH and its Project Implementation Management Team to carry out the Project, including its coordination, planning, procurement and financial management.

2. The Borrower shall cause the Federation to maintain PC Roads FBH and its Project Implementation Management Team at all times during the implementation of the Project, with sufficient resources and competent staff in adequate numbers to carry out the responsibilities related to the Project.

B. Project Operational Manual

1. The Borrower shall cause the Federation to: (a) prepare and adopt; or (b) cause PC Roads FBH to prepare and adopt, a Project Operational Manual in form and substance satisfactory to the Bank, and thereafter implement the Project in accordance with the Project Operational Manual.

2. Except as the Borrower and the Bank may otherwise agree in writing, the Borrower shall: (a) cause the Federation; or (b) ensure that the Federation causes PC Roads FBH, to not abrogate, amend, suspend, waive or otherwise fail to enforce the Project Operational Manual, or any provision thereof.

3. In the event of any inconsistency between the provisions of the Project Operational Manual and the provisions of this Agreement, the provision of this Agreement shall prevail.

C. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Borrower shall make the proceeds of the Loan available to the Federation under a subsidiary agreement (Subsidiary Agreement) between the Borrower and the Federation under terms and conditions approved by the Bank. Except as the Bank shall otherwise agree, such terms and conditions shall include the following:

(a) the Federation shall carry out the Project, or cause it to be carried out in accordance with the terms of the Project Agreement;
(b) the Borrower shall make available to the Federation an amount equivalent to the Loan allocated from time to time to Category 1, 2, 3, 4 and (5) as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement;

(c) the terms under which the amount equivalent to the Loan is made available to the Federation shall be twenty-two (22) years, including a twelve (12) year grace period;

(c) the Borrower shall charge the Federation a commitment charge at a rate equal to the rate payable under Section 2.04 of this Agreement, on the principal amount equivalent to the Loan made available to the Federation and not withdrawn from time to time;

(d) the Borrower shall charge the Federation interest on the principal of the equivalent amount of the Loan made available to the Federation, withdrawn and outstanding from time to time at a rate equal to the rate payable under Section 2.05 of this Agreement;

(e) the principal on the equivalent amount of the Loan made available to the Federation shall be payable in local currency and shall be the equivalent of the value of currency or currencies withdrawn from the Loan Account on account of expenditures for the Project; and

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

E. Anti-Corruption

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

F. Safeguards

1. In order to ensure the proper implementation of the Project in an environmentally and socially sound manner, the Borrower shall cause the Federation or ensure that the Federation causes PC Roads FBH to:

(a) carry out the Project in accordance with the Safeguards Instruments for the Project;

(b) prior to carrying out any works under the Project, prepare site-specific ESMPs in accordance with the respective ESMF, including disclosure and
public consultation, in form and substance satisfactory to the Bank, and to implement the Project activities in accordance with the respective ESMPs;

(c) prior to carrying out any works on the Neum-Stolac Road, prepare a site specific ESMP following the overall requirements and recommendations of the ESIA for the Neum-Stolac Road, including disclosure and public consultation, in form and substance satisfactory to the Bank; and to implement the relevant activities in accordance with the respective ESMP;

(d) prior to carrying out any works under the Project which entail Involuntary Resettlement, prepare a site specific RAP in accordance with the RPF, including disclosure and meaningful consultation with Project Affected Persons, in form and substance satisfactory to the Bank, and ensure that such RAP is implemented, including by providing appropriate compensation consistent with the provisions of the RPF and site-specific RAP, to the Project Affected Persons; and

(e) not assign, amend, abrogate or waive the Safeguards Instruments or any provision thereof, without the prior approval of the Bank.

2. In the event of any inconsistency between the provisions of any Safeguards Instruments and the provisions of this Agreement, the provisions of this Agreement shall prevail.

G. Implementation Arrangements under Part 5 of the Project

(Contingency for Disaster Risk Response)

1. In order to ensure the proper implementation of Part 5 of the Project after the occurrence of an Eligible Emergency, and prior to the carrying out of any activities under said Part of the Project, the Borrower shall take the following measures:

(a) determine that an Eligible Emergency has occurred and the Bank has agreed with said determination;

(b) furnish to the Bank a list of proposed investments and a request to finance the Eligible Expenditures under Category (3) in order to respond to said Eligible Emergency;

(c) cause the Project Operational Manual to be updated and adopted as needed, defining the scope of activities, implementation arrangements, procurement and disbursement arrangements under Part 5 of the Project; and

(d) prepare, disclose and consult or cause to be prepared, disclosed and consulted all Safeguards Instruments required for said activities, in
accordance with the provisions of Section I.F of this Agreement; all under terms and in a manner satisfactory to the Bank.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports and Mid-Term Evaluation

1. The Borrower shall cause the Federation to: (a) monitor and evaluate the progress of the Project or cause PC Roads FBH to monitor and evaluate the progress of the Project; and (b) prepare or cause to be prepared Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators acceptable to the Bank. Each Project Report shall cover the period of one calendar year and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.

2. By October 30, 2019, or such other date acceptable to the Bank, the Borrower shall cause the Federation to: (a) carry out; or (b) cause PC Roads FBH to carry out jointly with the Bank, a mid-term review of the implementation of activities under the Project (Mid-term Review). The Mid-term Review shall cover the progress achieved in the implementation of the Project. Following such Mid-term Review, the Borrower shall act promptly and diligently to take, or cause to be taken, any corrective action as shall be recommended by the Bank.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain, or cause to be maintained, a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish or cause to be prepared and furnished 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.

3. The Borrower shall, or shall cause, the Financial Statements to be audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.
Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

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

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

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

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

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the following additional provisions set forth in the Annex to this Schedule 2; (b) Shopping; and (c) Direct Contracting.

C. Particular Methods of Procurement of Consultants' Services

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

2. Other Methods of Procurement of Consultants' Services. The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants'
Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Bank of Procurement Decisions

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

E. Procurement of Emergency Expenditures under Part 5 (Contingency for Disaster Risk Response) of the Project

Notwithstanding any provision to the contrary in this Section, the eligible expenditures required under Part 5 of the Project shall be procured in accordance with the procurement methods and procedures to be set forth in the Project Operational Manual.

Section IV. Withdrawal of Loan Proceeds

A. General

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

3. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in EURO)</th>
<th>Percentage of Expenditures to be financed (exclusive of VAT and Customs Duty) *</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Goods, works, non-consulting services, consultants’ services,</td>
<td>54,855,000</td>
<td>Up to 99%</td>
</tr>
<tr>
<td>Training and Operating Costs for Parts 1, 2 and 4 of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Goods, works, non-consulting services, consultants’ services,</td>
<td>3,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>Training and Operating Costs for Part 3 of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Emergency Expenditures under Part 5 of the Project</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>4. Front-end Fee</td>
<td>145,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>5. Interest Rate Cap or Interest Rate Collar premium</td>
<td>0</td>
<td>Amount due pursuant to Section 2.08 (c) of this Agreement</td>
</tr>
</tbody>
</table>

**TOTAL AMOUNT** 58,000,000

*VAT and Customs Duty will not be paid from the proceeds of the Loan

**B. Withdrawal Conditions; Withdrawal Period**

Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

(a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed eleven million six hundred thousand Euro (€11,600,000) may be made for payments made prior to this date but on or after March 31, 2016, for Eligible Expenditures under the Project; and
(b) under category 3 until the Borrower has furnished or caused to be furnished evidence satisfactory to the Bank that measures referred to in Section I.G of Schedule 2 to this Agreement have been met in a manner satisfactory to the Bank.

1. The Closing Date is December 31, 2021.

Section V. Other Undertakings

Not later than three (3) months from the Effective Date, the Borrower shall cause the Federation to: (a) renew or cause PC Roads FBH to renew PC Roads FBH’s financial management software license; or (b) upgrade or cause PC Roads FBH to upgrade PC Roads FBH’s existing financial management system, all in a manner satisfactory to the Bank.
ANNEX TO SCHEDULE 2

Additional Provisions for National Competitive Bidding

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

(1) Registration

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

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

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

(2) Advertising

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

(3) Pre-qualification

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

(4) Participation by Government-owned enterprises

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

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

(6) **Bid Opening and Bid Evaluation**

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

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

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

(7) **Price Adjustment**

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

(8) **Rejection of Bids**

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

(9) **Securities**

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

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

(c) no advance payment shall be made to contractors without a suitable advance payment security. These securities shall be included in the bidding documents in a text and format acceptable to the Bank.
(10) **Right to inspect and audit**

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

(11) **Fraud and Corruption**

The Bank shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Bank, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, a contract financed by the World Bank Group.
SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 15 and August 15</td>
<td></td>
</tr>
<tr>
<td>Beginning August 15, 2028 through February 15, 2038</td>
<td>5%</td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
APPENDIX

Section I. Definitions


2. "Black Spots" means accident-prone locations along the main roads.

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


5. "Co-financing" means, for purposes of paragraph 16 of the Appendix to the General Conditions, an amount of thirty three million Euro (€33,000,000) to be provided by the Co-financier to assist in financing the Project.

6. "Co-financing Agreement" means the agreement to be entered into between the Borrower and the Co-financier providing for the Co-financing.


8. "Customs Duty" means the basic tax charged on goods imported into the territory of the Borrower based on Customs Policy Law of Bosnia and Herzegovina, (Official Gazette BIH No. 57/04 and 51/06).

9. "Eligible Emergency" means a natural or man-made crisis or disaster that has caused, or is likely to imminently cause, a major adverse impact on the Federation’s main road network.

10. "Environmental Social Impact Assessment" or "ESIA" means the report for the Project prepared by an independent consultant hired by PC Roads FBH, and disclosed on the Bank’s Infoshop and on PC Roads FBH’s website on April 1, 2016, which sets forth, inter alia, the modalities for the identification of all relevant environmental and social impacts for the road segment from Stolac to Neum and includes the mitigation, monitoring, and institutional measures and procedures for eliminating the adverse environmental, cultural property and social impacts, offset them, or reduce them to acceptable levels, as well as actions needed to implement said measures, as the same may be amended from time to time with the agreement of the Bank.
11. “Environmental and Social Management Framework” or “ESMF” means the framework for the Project prepared by PC Roads FBH, and disclosed on the Bank’s Infoshop on February 25, 2016 and on PC Roads FBH’s website on March 15, 2016 which sets forth, inter alia, the modalities for site-specific environmental screening (taking into account any impact: (a) guidelines for the identification of existing environmental and social conditions and potential direct and indirect environmental and social impacts and risks resulting from the carrying out of the Project; (b) guidelines for the carrying out of environmental assessments and the preparation of environmental management plans, when applicable; (c) recommendation of mitigation measures for each negative impact identified; (d) measures for enhancing each identified positive impact; and (e) guidelines for the preparation of environmental and social monitoring plans for tracking the application of the mitigation measures, as said framework may be amended from time to time with the Bank’s prior approval.

12. “Environmental and Social Management Plan(s)” or “ESMPs” means site-specific Environmental Social Management Plans comprising environmental mitigation plan and environmental monitoring plan to be prepared and adopted by PC Roads FBH pursuant to the ESMF, wherein are set forth specific details of measures to manage identified or potential environmental and social risks and to mitigate, reduce and/or offset adverse environmental and social impacts associated with the implementation of activities under the Project, together with an environmental and social baseline for each site, details of the relevant environmental legislative framework, adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms, as the same may be amended and supplemented from time to time with the Bank’s prior written approval.

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

14. “FMoTC” means the Federal Ministry of Transport and Communication or its successor thereto.

15. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012, with the modifications set forth in Section II of this Appendix.

16. “International Road Assessment Program” or “IRAP” means a charity registered in the United Kingdom under charity number 1140357 dedicated to road safety, or its legal successor.

17. “Involuntary Resettlement” means the impact of an involuntary taking of land under the Project, which taking causes Project Affected Persons to, among other things, have their: (a) standard of living adversely affected; or (b) right, title or
interest in any house, land (including premises, agricultural and grazing land) or any other fixed or immovable asset acquired or possessed, temporarily or permanently; or (c) access to productive assets adversely affected, temporarily or permanently; or (d) business, occupation, work place of residence or habitat adversely affected, temporarily or permanently.

18. “IRAP Survey” means a detailed road survey and data collection carried out by the IRAP on project roads with results presented as a Star Rating.

19. “Mid-term Review” means the review of the implementation of activities under the Project referred to in Section II.A.2 of Schedule 2 to this Agreement.

20. “Neum-Stolac Road” means the main road M17.3, the transport corridor to be constructed between the city of Stolac and the coastal city of Neum in the Federation’s territory.

21. “Operating Costs” means the reasonable incremental operational costs (which would not have been incurred absent the Project), incurred by PC Roads FBH related to communication, bank charges, translation and interpretation and such other expenditures as may be agreed upon by the Bank (but excluding salaries of PC Roads FBH staff and civil servants).

22. “PC Roads FBH” means the Public Company Roads of the Federation of Bosnia and Herzegovina, a limited liability company, Sarajevo, established under the Law on Public Roads Federation of Bosnia and Herzegovina, (Official Gazette of FBiH no. 12/10, 16/10 and 66/13), and operating under Law on Public Enterprises (Official Gazette of FBiH no. 8/05, 81/08, 22/09 and 109/12) or its successor thereto.


24. “Procurement Plan” means the procurement plan for the Project, dated May 23, 2016 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

25. “Project Affected Persons” means persons who, on account of the execution of the Project, have been, or will be affected, by Involuntary Resettlement.

26. “Project Agreement” means the agreement to be entered into between the Bank and the Federation and referred to in Section 3.01 of this Agreement, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement.
27. "Project Implementation Management Team" or "PIMT" means a team of professional staff within PC Roads FBH responsible for coordination, overseeing and evaluation of all aspects of project implementation.

28. "Project Operational Manual" means the manual to be prepared and adopted by PC Roads FBH and satisfactory to the Bank, including a detailed description of the Project, procedures for implementation of the Project, detailed institutional arrangements, consistent with the provisions of this Agreement and with applicable laws and regulations and including, inter alia, timetables of actions required to be carried out under the Project, staffing, the fiduciary, technical and operational aspects and procedures for implementation of the Project, including the financial management procedures (budgeting, accounting and internal control, disbursement and flow of funds, financial reporting, annual reports, internal and external audit arrangements procedures and including the Project specific chart of accounts), procurement procedures, the ESMF and the RPF, monitoring and evaluation arrangements, and other fiduciary and administrative arrangements as the same may be amended from time to time by agreement with the Bank.

29. "Project Roads" means selected sections of the main road network in the Federation, and any other roads agreed with the Bank, including bridges, tunnels and lanes.

30. "RAP" means a resettlement action plan, satisfactory to the Bank, to be prepared and implemented by the Federation and PC Roads FBH for carrying out activities under the Project in accordance with the Resettlement Policy Framework, to set out, inter alia, the principles and objectives, the affected persons' eligibility criteria, compensation, assistance and rehabilitation entitlements, as well as the monitoring and reporting arrangements in conformity with the Resettlement Policy Framework as said plan may be amended from time to time with the Bank's prior approval.

31. "Resettlement Policy Framework" or "RPF" means the document prepared by PC Roads FBH and disclosed on the PC Roads FBH website on March 14, 2016 and the Bank's InfoShop on April 1, 2016, satisfactory to the Bank, defining the modalities for land acquisition under the Project and describing the policies, procedures, plans and actions (including preparation of the resettlement action plans), and institutional measures related to land acquisition and other social impacts that may arise during the Project, as said framework may be amended from time to time with the Bank's prior approval.

32. "Roads Asset Management Information System" means an inventory of data, software and hardware used to facilitate FBH PC Roads' management of the main road network.
33. "Road Safety Investment Plans" means plans developed from the results of the IRAP Survey, Black Spots studies and includes proposed investments for promoting road safety.

34. "RS" means the Republika Srpska, a constitutive part of the Borrower, and includes any successors thereto.

35. "Safeguards Instrument" means the ESIA, ESMF, ESMP, RPF or a RAP for a Project activity as the context may require; and "Safeguards Instruments" means, collectively, all such assessments or plans for the Project.

36. "Star Rating" means the IRAP's measure of the level of road safety where a five-star rating indicates the safest roads while a one-star rating indicates the least safe roads.

37. "Sub-Agreement" means the agreement to be entered between the Federation and PC Roads FBH referred to in Section I.C of the Schedule to the Project Agreement setting forth the terms and conditions for implementation of the Project.

38. "Subsidiary Agreement" means the agreement to be entered into between the Borrower and the Federation as referred to in Section I.C of Schedule 2 to this Agreement, as the agreement may be amended from time to time with the prior written approval of the Bank, and such term includes all schedules and agreements supplemental to the Subsidiary Agreement.

39. "Training" means expenditures (other than for consultants' services), incurred during the implementation of the Project, based on periodic budgets acceptable to the Bank, for: (i) reasonable travel, room, board and per diem expenditures incurred by trainers and trainees in connection with their training; (ii) course fees; (iii) training/workshop facility and equipment rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses not otherwise covered under this paragraph.

40. "Value Added Tax" means an indirect tax imposed on goods and services at stages of production and final sale based on the Federation’s prescribed rate in accordance with the Law on Value Added Tax (Official Gazette BIH No. 9/05, 32/05,100/08)

**Section II. Modifications to the General Conditions**

The General Conditions are hereby modified as follows:

1. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.

2. Section 3.01. *(Front-end Fee)* is modified to read as follows:
"Section 3.01. Front-end Fee; Commitment Charge

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the "Front-end Fee").

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the "Commitment Charge"). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date."

3. In the Appendix, Definitions, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.

4. The Appendix is modified by inserting a new paragraph 19 with the following definition of "Commitment Charge", and renumbering the subsequent paragraphs accordingly:

"19. "Commitment Charge" means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b)."

5. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of "Front-end Fee" is modified by replacing the reference to Section 3.01 with Section 3.01 (a).

6. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term "Loan Payment" is modified to read as follows:

"68. "Loan Payment" means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower."

7. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of "Payment Date" is modified by deleting the word "is" and inserting the words "and Commitment Charge are" after the word "interest".