October 22, 2013

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

Excellency:

Re: Grant No. TF012620 (EC IPA for Ljubuski Sewerage System Project)  
Additional Instructions: Second Restatement Disbursement

I refer to the Letter Agreement ("Agreement") between Bosnia and Herzegovina ("Recipient") and 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 October 30, 2012. The Agreement provides that the World Bank may issue additional instructions regarding the withdrawal of the proceeds of Grant No. TF012620 ("Grant"). This letter ("Disbursement Letter"), as revised from time to time, constitutes the additional instructions.

I also refer to the letter received from the Ministry of Finance and Treasury of Bosnia and Herzegovina, dated October 9, 2013, addressed to the World Bank, requesting a change of the Financial Institution at which the Designated Account will be opened.

This letter is the Second Restatement of the Disbursement Letter dated October 30, 2012, for the above referenced project, restating bullet three of Section II.(vi) to change the name of the Financial Institution at which the Designated Account will be opened.

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
• Reimbursement
• Advance
• Direct Payment
• Special Commitment

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is four months after 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 Condition(s) in the Grant Agreement.

II. Withdrawal of Grant Proceeds

(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.

**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 5; 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.

**Minimum Value of Applications (subsection 3.5).** The Minimum Value of Applications is Euro 100,000

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

- **Type of Designated Account[s] (subsection 5.3):** Segregated – exclusively for this project and for EC IPA grant proceeds
- **Currency of Designated Account[s] (subsection 5.4):** EURO
- **Financial Institution at which the Designated Account[s] Will Be Opened (subsection 5.5):** Unicredit Bank
- **Ceiling (subsection 6.1):** Euro 500,000

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 and 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 4)
  - Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) – Attachment 3A, without supporting documents - for payments for works against contracts valued at Euro 750,000 equivalent or more; for goods against contracts valued at Euro 75,000 equivalent or more; for consultant services against contracts valued at Euro 75,000 equivalent or more for firms and at Euro 50,000 equivalent or more for individual consultants, and
• Statement of Expenditure in the form attached -(Attachment 3B, with supporting documents - for all other expenditures / contracts, including incremental operating costs

- **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 at least quarterly. The replenishment applications (to the Designated Account) must include reconciled bank statements as well as other appropriate supporting documents.

**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](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 jjaneiro@worldbank.org using the above reference.

Yours sincerely,

Jose C. Janeiro
Senior Finance Officer
Loan Department
Attachments remain valid as provided under the original Disbursement Letter.

Prepared by: Jasna Mestnik, CTRLA

Cleared with and cc:  Adam Shayne, Country Lawyer
                      Guy Alaerts, Task Team Leader

Cc with copies:  Federation Ministry of Finance
                  Mehmeda Spahe 5
                  71000 Sarajevo
                  Bosnia and Herzegovina