Mr. Vjekoslav Bevanda  
Minister of Finance and Treasury  
Ministry of Finance and Treasury  
Trg BiH 1  
71000 Sarajevo  
Bosnia and Herzegovina

Excellency:

Re: Loan 8640-BA  
(Federation Road Sector Modernization Project)  
Additional Instructions: Disbursement

I refer to the Loan Agreement between the International Bank for Reconstruction and Development (the “Bank”) and Bosnia and Herzegovina (the “Borrower”) for the above-referenced Project, dated November 9, 2016. The Agreement provides that the Bank may issue additional instructions regarding the withdrawal of the proceeds of Loan 8640-BA (“Loan”). 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 Loan 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 Loan:

- Reimbursement
- Advance
- Direct Payment

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is 4 months after the Closing Date specified in the Loan Agreement. Any changes to this date will be notified by the Bank.

(iii) Disbursement Conditions (subsection 3.8). Please refer to the Disbursement Condition(s) in the Loan Agreement.

II. Withdrawal of Loan Proceeds

(i) Authorized Signatures (subsection 3.1). An authorized signatory letter in the Form attached (Attachment 2) should be furnished to the Bank at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:
(ii) Applications (subsections 3.2 - 3.3). Please provide completed and signed (a) applications for withdrawal, together with supporting documents 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 Bank may permit the Borrower to electronically deliver to the Bank Applications (with supporting documents) through the Bank’s Client Connection, web-based portal. The option to deliver Applications to the Bank by electronic means may be effected if: (a) the Borrower 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 credentials (“SIDC”) from the Bank for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Borrower have registered as users of Client Connection. If the Bank agrees, the Bank will provide the Borrower with SIDC 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 Borrower may continue to exercise the option of preparing and delivering Applications in paper form. The Bank reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Borrower.

(iv) Terms and Conditions of Use of SIDC to Process Applications. By designating officials to use SIDC and by choosing to deliver the Applications electronically, the Borrower confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Credentials in connection with Use of Electronic Means to Process Applications and Supporting Documentation (“Terms and Conditions of Use of Secure Identification Credentials”) provided in Attachment 3 and (b) 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 is 20% the amount advanced and outstanding in the Designated Account.

(vi) Advances (sections 5 and 6).

- **Type of Designated Accounts (subsection 5.3):** Segregated
- **Currency of Designated Accounts (subsection 5.4):** Euro
- **Financial Institution at which the Designated Accounts Will Be Opened (subsection 5.5):** a commercial bank acceptable to the Bank.
- **Ceiling (subsection 6.1):** forecast for 2 quarters as provided in the quarterly Interim Financial Report.
III. Reporting on Use of Loan 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:
  - Interim Financial Report (IFR) in the form attached (Attachment 4; list of payments against contracts that are subject to the World Bank’s prior review, is part of the IFR)

- 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): the period set out in the Loan Agreement for provision of Interim Financial Reports

IV. Other Disbursement Instructions – Eligible expenditures to be financed out of proceeds of this loan will be exclusive of VAT and Custom Duties, as per the Loan Agreement. Eligible Expenditures reported through IFRs will have no VAT and no Custom Duties; for expenditures to be paid using the Direct Payment method, this loan, the withdrawal application will exclude any VAT and Custom Duties.

V. Other Important Information


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

If you have not already done so, the 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 prepare and deliver Applications, monitor the near real-time status of the Loan, and retrieve related policy, financial, and procurement information. All Borrower 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 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@gmail.com using the above reference.

Yours sincerely,

Tatiana A. Proskuryakova
Country Manager
Bosnia and Herzegovina and Montenegro
Europe and Central Asia Region
Attachments

2. Form for Authorized Signatures

Cleared with and cc: Nightingale Rukuba-Ngaiza, Country Lawyer
Liljana Sekeriska, Task Team Leader