Agreement Amending Development Credit Agreement

(Forest Development and Conservation Project)

between

BOSNIA AND HERZEGOVINA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 31, 2007
AGREEMENT AMENDING
DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 31, 2007, between BOSNIA AND HERZEGOVINA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower and the Association have entered into a Development Credit Agreement (Forest Development and Conservation Project) dated July 7, 2003 (the Development Credit Agreement) for the purpose of assisting in the financing of the Project described in Schedule 2 to the Development Credit Agreement (the Project);

(B) the Borrower has made available a portion of the proceeds to the Federation of Bosnia and Herzegovina (the Federation) and to Republika Srpska respectively and entered into Subsidiary Financing Agreements with the Federation and Republika Srpska respectively for that purpose;

(C) the Borrower has requested the Association to provide additional assistance towards the financing of the Project in an amount in various currencies equivalent to two million and three hundred thousand Special Drawing Rights (SDR 2,300,000); and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to provide such additional assistance to the Borrower upon the terms and conditions set forth in this Amending Agreement.

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Amendments to the Development Credit Agreement

Section 1.01. Section 1.01 of the Development Credit Agreement is amended to read as follows:

“Section 1.01.(a). The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through October 6, 1999), with the modification set forth in paragraph 1.01(b) (the General Conditions), constitute an integral part of this Development Credit Agreement.
Section 1.01. (b). Section 6.03 (c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

Section 1.02. Section 1.02. of the Development Credit Agreement is amended by adding new paragraphs (aa) through (ee) to read as follows:

“(aa) “Agreement Amending the Project Agreement” means either the Agreement Amending the Federation Project Agreement or the Agreement Amending the RS Project Agreement (defined hereafter), as the case may be, and the term “Agreements Amending the Project Agreements” means said agreements collectively;

(bb) “Agreement Amending the Federation Project Agreement” means the agreement between the Association and the Federation of even date herewith;

(cc) “Agreement Amending the RS Project Agreement” means the agreement between the Association and Republika Srpska of even date herewith;

(dd) “Amending Agreement” means this Agreement amending the Development Credit Agreement (Forest Development and Conservation Project) between the Borrower and the Association, dated July 7, 2003; and

(ee) “Procurement Plan” means the Borrower’s procurement plan, dated March 28, 2007, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement.”

Section 1.03. Section 2.01. of the Development Credit Agreement is amended to read as follows:

“Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to five million and one hundred thousand Special Drawing Rights (SDR 5,100,000) (the Credit), consisting of: (i) an original amount in various currencies equivalent to two million eight hundred thousand Special Drawing Rights (SDR 2,800,000) (the Initial Financing); and (ii) an additional amount in various currencies equivalent to two million and three hundred thousand Special Drawing Rights (SDR 2,300,000) (the Additional Financing).”

Section 1.04. The following new paragraph (c) is added to Section 2.02 of the Development Credit Agreement:

“(c) Except as the Borrower and the Association shall otherwise agree, all amounts withdrawn from the Credit Account or made subject to a special commitment pursuant to Section 5.02. of the General Conditions shall be withdrawn from
the Initial Financing until such Financing has been exhausted, and thereafter shall be from the Additional Financing.”

Section 1.05. The Closing Date set forth in Section 2.03 of the Development Credit Agreement shall be extended to November 30, 2010.

Section 1.06. A provision is added at the end of Section 2.04 (b) (i) of the Development Credit Agreement to read as follows:

“; provided, however, that the commitment charge on the Additional Financing shall accrue from a date sixty (60) days after the date of the Amending Agreement.”

Section 1.07. The word “Credit” referred to in Section 2.07 of the Development Credit Agreement is deleted and replaced with the words “Initial Financing”.

Section 1.08. Section 2.08 of the Development Credit Agreement is renumbered as Section 2.09, and a new Section 2.08 is added, to read as follows:

“Section 2.08. The Borrower shall repay the principal amount of the Additional Financing in semiannual installments payable on each January 15 and July 15, commencing July 15, 2017 and ending January 15, 2027. Each installment shall be five percent (5%) of such principal amount.

Section 1.09. Section 3.01.(b) (i) of the Development Credit Agreement is amended to read as follows:

“(i) the Borrower shall relend to the Federation an amount in Euro equivalent to: (i.1) the amount of the Initial Financing allocated from time to time to Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to the Development Credit Agreement; and (i.2) the amount of the Additional Financing allocated from time to time to Category (1) set forth in the Annex to this Amending Agreement;”

Section 1.10. Section 3.01.(c) (i) of the Development Credit Agreement is amended to read as follows:

“(i) the Borrower shall relend to the Republika Srpska an amount in Euro equivalent to: (i.1) the amount of the Initial Financing allocated from time to time to Categories (5) through (8) set forth in the table in paragraph 1 of Schedule 1 to the Development Credit Agreement; and (i.2) amount of the Additional Financing allocated from time to time to Category 2 set forth in the Annex to this Amending Agreement;”

Section 1.11. The word “Credit” referred to in the title and paragraph 1 of Schedule 1 (Withdrawal of the Proceeds of the Credit) of the Development Credit Agreement is deleted and replaced with the words “Initial Financing”.
Section 1.12. A new Schedule 1.A. is added to the Development Credit Agreement as set forth in the Annex to this Agreement.

Section 1.13. The last sentence of Schedule 2 is amended to read as follows:

“The Project is expected to be completed by October 31, 2010”.

ARTICLE II

Effective Date; Termination

Section 2.01. This Amending Agreement shall not become effective until evidence satisfactory to the Association shall have been furnished to the Association that:

(a) the execution and delivery of this Amending Agreement and of an Agreement Amending the Project Agreement has been executed on behalf of the Association and an Entity; and

(b) for the Entity referred to in paragraph (a) of this Section 2.01, the Subsidiary Credit Agreement between the Entity and the Borrower has been amended to make available the portion of Additional Financing to said Entity as provided in this Amending Agreement.

Section 2.02. As part of the evidence to be furnished pursuant to Section 2.01 of this Agreement, there shall be furnished to the Association an opinion or opinions satisfactory to the Association of counsel acceptable to the Association showing:

(a) on behalf of the Borrower, that this Amending Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and is legally binding upon the Borrower in accordance with its terms;

(b) that an Agreement Amending the Project Agreement has been duly authorized or ratified by the Entity concerned, and is legally binding upon the said Entity in accordance with its terms; and

(c) that the Amendment to the Subsidiary Credit Agreement referred to in Section 2.01 (b) of this Amending Agreement has been duly authorized or ratified by and is legally binding upon the Borrower and said Entity in accordance with its terms.

Section 2.03. This Amending Agreement shall come into force and effect on the date upon which the Association shall dispatch to the Borrower notice of its acceptance of the evidence required pursuant to Section 2.01 of this Amending Agreement.

Section 2.04. If this Amending Agreement shall not have come into force and effect by a date ninety (90) days after the date of this Amending Agreement, this
Amending Agreement and all obligations of the parties hereunder shall terminate, unless the Association establishes a later date for the purposes of this Section. If this Amending Agreement shall terminate under the provisions of this Section, the Development Credit Agreement shall continue in full force and effect, as if this Amending Agreement had not been executed.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Amending Agreement to be signed in their respective names in the City of Sarajevo, Bosnia and Herzegovina, as of the day and year first above written.

BOSNIA AND HERZEGOVINA

By /s/ Dragan Vrankic
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Marco Mantovanelli
Authorized Representative
ANNEX

SCHEDULE 1.A.

Withdrawal of the Proceeds of the Additional Financing

“1. The table below sets forth the Categories of items to be financed out of the proceeds of the Additional Financing, the allocation of the amounts of the Additional Financing to each Category, and the percentage of expenditures for items so to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of Additional Financing allocated (Expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Part A.1, A.2 and A.4 of the Project (the Federation)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Goods, works, Consultants’ Services, including audit, Training and</td>
<td>1,340,000</td>
<td>70%</td>
</tr>
<tr>
<td>Incremental Operating Costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B. Part B.1, B.2 and B.3 of the Project (Republika Srpska)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Goods, works, Consultants’ Services, Including Audit, Training,</td>
<td>960,000</td>
<td></td>
</tr>
<tr>
<td>Incremental Operating Costs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

TOTAL 2,300,000

2. For the purposes of this Schedule 1.A:

(a) the term “Incremental Operating Costs” means the incremental expenses incurred by the Federation PIU or the RS PIU on account of Project implementation, management and monitoring, including the cost of transport and travel, fuel and repairs made on account of maintenance and operation of vehicles, office supplies, and communication; and
(b) the term “Training” means training activities (other than consultants’ services) to be carried out under the Project, including the cost of workshops and the travel costs and per diem of the trainees.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

   (a) payments made for expenditures prior to the date of this Amending Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 220,000 may be made on account of payments made for expenditures before that date but after February 28, 2007, provided that the Entity, responsible for implementing either Part A or Part B of the Project from which the withdrawals may be made under this paragraph, shall have fulfilled the conditions Section 2.01 of this Amending Agreement; and

   (b) payments made for expenditures relating to Part A.3 and Part B.3 of the Project.