October 29, 2014

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

Re: Credit No. 5393-BA  
Credit No. 5538-BA  
(Energy Efficiency Project)  
Additional Instructions: Disbursement

Excellency:

I refer to the Financing Agreement (“Agreement”) between Bosnia and Herzegovina (“the Recipient”) and the International Development Association (“the Association”), for the above-referenced project, dated October 29, 2014. The Agreement provides that the Association may issue additional instructions regarding the withdrawal of financing Credit No. 5393-BA and Credit No. 5538-BA (variously “Credit” and “Financing”). 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 Financing 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 Financing:

- 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 Financing Agreement. Any changes to this date
will be notified by the Association.

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

II. Withdrawal of Financing Proceeds

(i) Authorized Signatures (subsection 3.1).
An authorized signatory letter in the Form attached (Attachment 2) should be furnished to the Association 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: Ellen A. Goldstein, 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 Association may permit the Recipient to electronically deliver to the Association Applications (with supporting documents) through the Association’s Client Connection, web-based portal. The option to deliver Applications to the Association 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 credentials (“SIDC”) from the Association 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 Association agrees, the Association will provide the Recipient 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 Recipient may continue to exercise the option of preparing and delivering Applications in paper form. The Association 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 SIDC to Process Applications. By designating officials to use SIDC 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 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 5; 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 is Euro 100,000 for DA A and Euro 100,000 for DA B.

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

- **Type of Designated Accounts (subsection 5.3):** Segregated – exclusively for the proceeds from this Credit.

- **Currency of Designated Accounts (subsection 5.4):** Euro

- **Financial Institution at which the Designated Accounts Will Be Opened (subsection 5.5):** a commercial bank / financial institution acceptable to the Association.

- **Ceilings (subsection 6.1):**

  (a) Euro 500,000 (Please see note below) for Designated Account for part A of the Project (DA A), for Disbursement Category 1 of the withdrawal table set forth in paragraph A.2 of Section IV of Schedule 2 to the Financing Agreement and

  (b) Euro 500,000 for Designated Account for part B of the Project (DA B), for Disbursement Category 2 of the withdrawal table set forth in paragraph A.2 of Section IV of Schedule 2 to the Financing Agreement.

  **Note:** with regards to DA A, no advance will be made until the withdrawal condition specified under Schedule 2, Section IV.B.1.(b)(iii) - “the Federation PIU has installed an appropriate financial management software satisfactory to the Association”, has been fulfilled.

**III. Reporting on Use of Financing 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 Accounts:**
  - 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, with supporting documents - for payments for Works against contracts valued at Euro 1,300,000 equivalent or more; for Goods and Non-consulting Services against contracts valued at Euro 130,000 equivalent or more; for Consultants’ Services against contracts valued at Euro 200,000 equivalent or more for firms and at Euro 35,000 equivalent or more for individual consultants, and

- Statement of Expenditure in the form attached - Attachment 3B, without supporting documentation - for all other expenditures/contracts, including training and incremental operating expenses.

- 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 Accounts (subsection 6.3): Replenishment applications should be submitted at least quarterly. The replenishment applications (to the Designated Accounts) must include reconciled bank statements as well as other appropriate supporting documents.

IV. Other Disbursement Instructions

Please refer to Schedule 2, Section IV.B.1.(a) of the Financing Agreement for retroactive financing provision.

V. 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 loaeca@worldbank.org using the above reference.

Yours sincerely,

[Signature]

Ana Lucia Abreu
Country Manager
Bosnia and Herzegovina, Montenegro
Europe and Central Asia

Attachments:

2. Form for Authorized Signatures.
4. Form of Payments against Contracts Subject to the Bank’s Prior Review.

Prepared by: Jasna Mestnik, CTRLA

Cleared with and cc: Adam Shayne, Country Lawyer - LEGLE
Jari Vayrynen, Task Team Leader - ECSEG

Cc with copies: Federation of Bosnia and Herzegovina Ministry of Physical Planning
Marka Marulica 2
Sarajevo, Bosnia and Herzegovina

Republika Srpska Ministry of Physical Planning, Civil Engineering and Ecology
Trg Republike Srpske 1
Banja Luka, Bosnia and Herzegovina