

Public Disclosure Authorized

CONFORMED COPY

RELATED TO TF021051

Subsidiary Grant Agreement

(for Forestry Project)

between

BOSNIA AND HERZEGOVINA

and

REPUBLIKA SRPSKA

Dated March 18, 1999

RELATED TO TF021051

SUBSIDIARY GRANT AGREEMENT

AGREEMENT, dated March 18, 1999 between BOSNIA AND HERZEGOVINA (the Recipient) and REPUBLIKA SRPSKA (RS):

(A) by the Norwegian Grant Agreement dated March 15, 1999, between the Recipient and the International Development Association (the Association) acting as Administrator (the Administrator) of grant funds provided by the Kingdom of Norway (the Grant Agreement), the Administrator has agreed to make available to the Recipient funds in the form of a grant in an amount not exceeding one million five hundred and thirty thousand United States dollars (US\$1,530,000) for carrying out of the Activities set forth in the Grant Agreement; and

(B) RS, in consideration of the Administrator's entry into the Grant Agreement with the Recipient, has agreed to undertake the obligations set forth in this Agreement.

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Definitions

Section 1.01. Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Grant Agreement shall have the respective meanings therein set forth.

Section 1.02. The terms and conditions of the Grant Agreement shall, mutatis mutandis, apply with full force and effect to this Agreement.

ARTICLE II

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Subsidiary Grant

Section 2.01. Pursuant to the Grant Agreement, the Recipient shall make available to RS, on the terms and conditions set forth in this Agreement, a grant in an amount equivalent to one million five hundred and thirty thousand United States dollars (US\$1,530,000) (the Subsidiary Grant).

Section 2.02. The Recipient shall cause its Ministry of Foreign Trade and Economic Relations to open a Grant Account (the Subsidiary Grant Account) on its books in the name of RS and the amount of the Subsidiary Grant shall be credited to the Subsidiary Grant Account. The Minister of Foreign Trade and Economic Relations or any other person duly authorized by him or her is authorized on behalf of the Recipient to withdraw funds from the Subsidiary Grant Account for the purposes of the Activities pursuant to the provisions of the Grant Account.

Section 2.03. The proceeds of the Subsidiary Grant may be withdrawn from the Grant Account pursuant to Section 4 of the Grant Agreement; provided, however, that the right of RS to withdraw the proceeds of the Subsidiary Grant shall be subject to the right of the Recipient to withdraw the proceeds of the Grant.

Section 2.04. (a) Upon the request of RS, the Recipient shall promptly make application for withdrawal from the Grant Account of amounts which the Recipient is entitled to withdraw therefrom for expenditures by RS for the Project.

(b) For the purposes of the Project, the Recipient may open and maintain, for the benefit of RS, a special deposit account (the RS Special Account) under the terms and conditions set forth in paragraph 4.7. of the Grant Agreement and Attachment to the Annex to the Grant Agreement referred to therein.

(c) RS shall furnish to the Recipient, for submission to the Administrator, all such documents as are required by the Grant Agreement or as shall be requested by the Administrator in order to enable the Recipient to make the withdrawal from the Grant Account requested by RS.

Section 2.05. RS shall implement the Activities in accordance with the provisions of Schedule 5 of the Interim Fund Development Credit Agreement (No. N040 BOS) between the Recipient and the Association dated June 11, 1998.

Section 2.06. Except as the Association shall otherwise agree, procurement of works and services required for the carrying out of the Activities and to be financed out of the proceeds of the Grant shall be governed by the provisions of Attachment I to the Annex to the Grant Agreement referred to herein.

ARTICLE III

Obligations of the Recipient

Section 3.01. The Recipient shall take or cause to be taken all actions necessary or appropriate to enable RS to perform its obligations under this Agreement and shall not take or permit to be taken any action which would prevent or interfere with such performance.

ARTICLE IV

Settlement of Disputes

Section 4.01. Any dispute arising out of this Agreement or in connection therewith which cannot be amicably settled between the Recipient and RS shall be finally settled in the courts of the Recipient under the laws of the Recipient.

ARTICLE V

Suspension; Cancellation

Section 5.01. If the right of the Recipient to disbursement from the Grant is suspended or terminated by the Administrator pursuant to the provisions of the Grant Agreement, the right of RS to disbursement from the Subsidiary Grant shall, likewise and simultaneously, be suspended or canceled, as the case may be.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. This Agreement shall become effective on the date upon which the Grant Agreement becomes effective.

Section 6.02. Any notice or request required or permitted to be given under this Agreement and any agreement between the parties shall be in writing.

Section 6.03. The following addresses are specified for the purpose of this Agreement:

For Bosnia and Herzegovina:

Ministry of Foreign Trade
and Economic Relations
Musala 9
71000 Sarajevo
Bosnia and Herzegovina

For Republika Srpska:

Ministry of Finance of Republika Srpska
Ul. Vuka Karadzica 4
78000 Banja Luka
Bosnia and Herzegovina

If the above addresses and/or names are changed, the party concerned shall immediately notify the other party hereto in writing of the new addresses and/or names.

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

BOSNIA AND HERZEGOVINA

REPUBLIKA SRPSKA

By /s/ M. Kurtovic
Minister of Foreign Trade and
Economic Relations

By /s/ Novac Kondic
Authorized Representative

