

CONFORMED COPY

RELATED TO TF021194

Subsidiary Grant Agreement

(Local Initiatives Project)

between

BOSNIA AND HERZEGOVINA

and

FEDERATION OF BOSNIA AND HERZEGOVINA

and

FEDERATION EMPLOYMENT AND TRAINING FOUNDATION

Dated May 10, 1999

RELATED TO TF021194

SUBSIDIARY GRANT AGREEMENT

AGREEMENT, dated May 10, 1999 between BOSNIA AND HERZEGOVINA (the Recipient), the FEDERATION OF BOSNIA AND HERZEGOVINA (the Federation) and FEDERATION EMPLOYMENT AND TRAINING FOUNDATION (FETF):

WHEREAS (A) by the Dutch Grant Agreement dated May 10 , 1999, between the Recipient and the International Development Association (the Association) acting as Administrator (the Administrator) of grant funds provided by the Netherlands (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 two million five hundred and ninety thousand United States dollars (US\$ 2,590,000) for carrying out of the Activities set forth in the Grant Agreement; and

(B) the Federation and FETF, 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

Subsidiary Grant

Section 2.01. Pursuant to the Grant Agreement, the Recipient shall make available to the Federation and to FETF, on the terms and conditions set forth in this Agreement, a grant in an amount equivalent to two million United States dollars (US\$ 2,000,000) (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 the Federation 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 person duly authorized by him is authorized on behalf of the Recipient to withdraw funds from the Grant Account for the purposes of the Activities pursuant to the provisions of the Grant Agreement.

Section 2.03. The proceeds of the Subsidiary Grant may be withdrawn from the Grant Account pursuant to paragraph 4 of the Grant Agreement; provided, however, that the right of the Federation 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 the Federation, 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 the Federation for items (1), (2), (3), (4) and (5) in the table set forth in paragraph 4.2 of the Annex to the Grant Agreement.

(b) The Federation 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 the Federation.

ARTICLE III

Obligations of the Recipient, the Federation and FETF

Section 3.01. Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Grant Agreement are hereby incorporated into this Agreement with the same force and effect as if they were fully set forth herein.

Section 3.02. The Recipient shall take or cause to be taken all actions necessary or appropriate to enable the Federation and FETF to perform their respective 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, the Federation and the FETF, 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 the Federation 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 the Federation of Bosnia and Herzegovina:

Ministry of Finance of the Federation
Mehmeda Spahic 5
71000 Sarajevo
Bosnia and Herzegovina

For Federation Employment and Training Foundation:

FETF
Trampina 12/2
71000 Sarajevo
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

FEDERATION

By /s/ Mirsad Kurtovic
Authorized Representative

By /s/ Drago Bilandzica
Authorized Representative

FEDERATION EMPLOYMENT AND TRAINING FOUNDATION

By /s/ Srecko Bogunovic
Authorized Representative
