

OFFICIAL DOCUMENTS



May 8, 2017

H.E. Zdravko Maric
Minister of Finance
Ministry of Finance
Katanciceva 5
Zagreb, Croatia

Excellency:

**Re: IBRD Loan 8749-HR (Modernization and Restructuring of the Road Sector Project)
Additional Instructions: Disbursement**

I refer to the Loan Agreement between the International Bank for Reconstruction and Development (the “Bank”) and Republic of Croatia (the “Borrower”) for the above-referenced project, dated May , 2017. The Loan Agreement provides that the Bank may issue additional instructions regarding the withdrawal of the proceeds of Loan 8749-HR (“Loan”). This letter (“Disbursement Letter”), as revised from time to time, constitutes the additional instructions.

The attached *World Bank Disbursement Guidelines for Investment Project Financing*, dated February 2017, (“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, Schedule 2, Section IV.B.1.

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:

The World Bank
1818 H Street, N.W.
Washington, D.C., 20433
Attention: Arup Banerji, Country Director, ECCU5

(ii) Applications (subsections 3.2 - 3.3). Please provide completed and signed applications for withdrawal, together with supporting documents, to the address indicated below:

The World Bank
Radnicka cesta 80, 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 Payment and Reimbursement is Euro 100,000.

(vi) Advances (sections 5 and 6).

- *Type of Designated Account (subsection 5.3):* Segregated
- *Currency of Designated Account (subsection 5.4):* Euro
- *Financial Institution at which the Designated Account Will Be Opened (subsection 5.5):* Single Treasury account at Hrvatska Narodna Banka (Croatian National Bank) - NBHRHR
- *Ceiling (subsection 6.1):* Euro 1,000,000

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:*
 - Statement of Expenditures in the form attached (Attachment 4a) for all expenditures / contracts related to **goods, services and training**;
 - Customized Statement of Expenditures in the form attached (Attachment 4b) for **retrenchment payments**; and
 - A designated account reconciliation statement (Attachment 5) and related bank statement.
- *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): Quarterly, or more frequently if needed.

IV. Other Disbursement Instructions

Retroactive Financing: no withdrawal shall be made for payments made prior to the date of the Loan Agreement, except that withdrawals may be made for payments made prior to this date but on or after January 1, 2017, for Eligible Expenditures under Category (1), up to an aggregate amount not to exceed Euro 3,000,000.

Retrenchment payments due during the project implementation period - may be made either from the Designated Account or using the reimbursement method, if paid from own resources. Such payments would be documented to the Bank using the Customized Statement of Expenditures as mentioned in Section III. (i), and would be subject to an annual audit or, if needed, agreed upon audit at a specific time during the year.

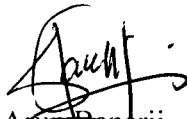
V. Other Important Information

For additional information on disbursement arrangements, please refer to the Disbursement Handbook available on the Bank's public website at <https://www.worldbank.org> and its secure website "Client Connection" at <https://clientconnection.worldbank.org>. Print copies are available upon request.

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 Jasna Mestnik, Finance Officer, at jmestnik@worldbank.org, using the above reference.

Yours sincerely,



Arup Banerji
Country Director
Europe and Central Asia

Attachments:

1. *World Bank Disbursement Guidelines for Investment Project Financing*, dated February 2017
2. Form for Authorized Signatures
3. *Terms and Conditions of Use of Secure Identification Credentials in connection with Use of Electronic Means to Process Applications and Supporting Documentation*, dated March 1, 2013
4. Forms of "Statement of Expenditures": 4a – for goods, services and training; 4b – for retrenchment payments
5. Form of Designated Account Reconciliation Statement

Cc with copies: H.E. Oleg Butkovic
Minister of the Sea, Transport and Infrastructure (MSTI)
Zagreb, Croatia

Disbursement Guidelines for Investment Project Financing

February 2017



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1. Purpose

1.1 The purpose of the Disbursement Guidelines for Investment Project Financing (the guidelines) is to set out the World Bank's procedures and requirements for disbursement of funds in projects.¹ Specifically, the guidelines set out (a) the different arrangements used by the World Bank to disburse funds from the Financing Account², (b) the requirements for withdrawal from the Financing Account, (c) the types of supporting documentation that the borrower may be required to provide to demonstrate the use of funds of the Financing Account for eligible expenditures, (d) the criteria for establishing Designated Accounts³, (e) the terms and conditions applicable to advances, (f) the types of disbursement-related actions that the World Bank may take if it determines that funds of the Financing Account are not needed or have been used for ineligible purposes, and (g) the disbursement consequence of refunds.

2. Disbursement Methods

2.1 The World Bank establishes disbursement arrangements for a project in consultation with the borrower, taking into consideration, among other things, an assessment of the borrower's financial management and procurement arrangements, the cash flow needs of the project, and its disbursement experience with the borrower. Those arrangements are stated in the Financing Agreement⁴ and additional information is provided in the Disbursement Letter.⁵

2.2 The World Bank disburses funds from the Financing Account established for each loan, to or on the order of the borrower, using one or more of the following disbursement methods, as determined by the World Bank.

¹ In this document the *World Bank* includes the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), whether acting on its own account or in the capacity as administrator of trust funds funded by donors.

Financing or Bank loan includes any loan, credit, or grant made by the World Bank from its own resources, from trust funds funded by other donors and administered by the World Bank, or from a combination of these.

Borrower means a borrower or recipient of a Bank loan for a project and any other entity involved in the implementation of the project financed by the Bank loan.

These guidelines apply to all Bank loans for an Investment Project Financing. They do not apply to Program-For-Results Financing and Development Policy Financing or for grants made by the World Bank from trust funds funded by other donors and administered by the World Bank, when, exceptionally, the terms of the agreement with the donor provide for different requirements.

² The Financing Account refers to the account opened by the World Bank in its accounting system in the name of the borrower to which the amount of the financing is credited.

³ A *Designated Account* is a bank account into which the World Bank may deposit amounts withdrawn from the Financing Account to pay for eligible expenditures as they are incurred.

⁴ The *Financing Agreement* is the agreement between the World Bank and the Borrower providing for the Bank loan.

⁵ The Disbursement Letter contains additional instructions describing the disbursement arrangements for withdrawing proceeds from the Financing Account under a particular investment project.

- (a) *Reimbursement.* The World Bank may reimburse the borrower for expenditures eligible for financing pursuant to the Financing Agreement (eligible expenditures) that the borrower has prefinanced from its own resources.
- (b) *Advance.* The World Bank may advance funds from the Financing Account into a Designated Account of the borrower to finance eligible expenditures as they are incurred and for which supporting documents will be provided at a later date (see section 5, Designated Accounts).
- (c) *Direct Payment.* The World Bank may make payments, at the borrower's request, directly to a third party (for example, supplier, contractor, or consultant) for eligible expenditures.
- (d) *Special Commitment.* The World Bank may pay amounts to a third party for eligible expenditures under special commitments entered into, in writing, at the borrower's request and on terms and conditions agreed between the World Bank and the borrower.

3. Withdrawal of Funds from the Financing Account

3.1 *Authorized Signatures.* Before funds from the Financing Account may be withdrawn or committed, the authorized representative of the borrower (as designated in the Financing Agreement) must furnish to the World Bank, electronically through the Client Connection website (<http://clientconnection.worldbank.org>), or through an authorized signatory designation letter, the name(s) of the official(s) authorized (a) to sign and submit applications for withdrawal and applications for a special commitment (collectively, Applications), and (b) to receive Secure Identification Credentials (SIDC) from the World Bank. The borrower must notify the World Bank of any changes in signature authority, either electronically in Client Connection or through an updated authorized signatory designation letter.

3.2 *Terms and Conditions of Use of Secure Identification Credentials (SIDC) to Process Applications.* By designating officials to use SIDC and by choosing to submit the applications electronically, the borrower confirms its agreement to abide by the terms and conditions of use of SIDC.⁶

3.3 *Applications.* Applications must be provided to the World Bank in such form as is required to access funds from the Financing Account and must include such information as the World Bank may reasonably request.

3.4 Applications and necessary supporting documents (see section 4 Supporting Documentation Requirements) should be submitted to the World Bank electronically, in a

⁶ Terms and conditions of use of SIDC are provided in the Disbursement Letter.

manner and on terms and conditions specified by the World Bank, through the Client Connection website at <http://clientconnection.worldbank.org>. The World Bank may, at its discretion, temporarily or permanently, disallow the electronic submission of applications by the borrower. The World Bank may permit the borrower to complete and submit applications manually in paper form. Paper applications forms can be found in the Client Connection website at <http://clientconnection.worldbank.org> or may be obtained from the World Bank upon request.

3.5 *Minimum Value of Applications.* The World Bank establishes a minimum value for applications for reimbursement, direct payment, and special commitment. The World Bank reserves the right not to accept applications that are below such minimum value.

3.6 *Loan Disbursing Period.* The World Bank processes Applications only after the Financing Agreement has been declared effective in accordance with the terms of the Financing Agreement. The expenditures for which the Applications are made must be:

- (a) *Paid* for on or after the date of the Financing Agreement, or alternatively, in the case of projects that permit retroactive financing, on or after the earlier date specified in the Financing Agreement for that purpose; and
- (b) *Incurred* on or before the closing date specified or referred to in the Financing Agreement (the Closing Date), except as otherwise specifically agreed with the World Bank.

3.7 The loan disbursing period ends on the final date established by the World Bank for receipt by the World Bank of applications for withdrawal and supporting documentation (the Disbursement Deadline Date). The Disbursement Deadline Date may be the same as the Closing Date, or up to four months after the Closing Date. To support orderly project completion and closure of the Financing Account, the World Bank does not accept applications for withdrawal or supporting documentation received after the Disbursement Deadline Date. The borrower must promptly inform the World Bank of any expected implementation delays or exceptional administrative issues before those dates. The World Bank notifies the borrower of any exception that the World Bank may make to the Disbursement Deadline Date.

3.8 *Disbursement Conditions.* If the Financing Agreement contains a disbursement condition for a specific expenditure category, the World Bank will disburse funds from the Financing Account for that category only after the disbursement condition has been fulfilled and the World Bank has notified the borrower to that effect.

4. Supporting Documentation Requirements

4.1 The borrower provides supporting documentation to the World Bank to show that funds from the Financing Account have been or are being used to finance eligible expenditures.

4.2 For special commitments, the commercial bank provides its confirmation directly to the World Bank that conditions for the release of payments committed for withdrawal have been met.

4.3 *Types of Supporting Documentation.* The World Bank requires either copies of the original documents evidencing eligible expenditures (Records) or summary reports of expenditure (Summary Reports) in such form and substance as the World Bank may specify. Records include such documents as invoices and receipts. A Summary Report may be either (a) the interim unaudited financial report required under the Financing Agreement (Interim Financial Report) or (b) a statement of expenditure summarizing eligible expenditures paid during a stated period (Statement of Expenditure). In all cases, the borrower is responsible for retaining the original documents evidencing eligible expenditures and making them available for audit or inspection.

4.4 The World Bank determines the types of supporting documentation that the borrower must provide, taking into consideration the disbursement method used. The supporting documentation may be the following:

- (a) *For applications for Reimbursement:* (i) Interim Financial Reports, (ii) Statements of Expenditure, or (iii) Records
- (b) *For reporting on the use of Advances:* (i) Interim Financial Reports, (ii) Statements of Expenditure, or (iii) Records
- (c) *For applications for Direct Payments:* (i) Records such as copies of supplier invoices; (ii) a bank guarantee for advance or retention payment
- (d) *For applications for Special Commitment:* Copy of the Letter of Credit (with valid expiry date) that the commercial bank, known as the opening bank, has issued. For payment, a SWIFT (Society for Worldwide Interbank Telecommunication) message must be sent by the commercial bank; and
- (e) Any other supporting documentation that the World Bank may request by notice to the borrower or as specified in the Disbursement Letter.

4.5 *Failure to Provide Audited Financial Statements.* If the borrower fails to provide any of the audited financial statements required in accordance with, and within the period of time specified in, the Financing Agreement, the World Bank may, at its discretion, decide not to accept applications for withdrawal supported by Summary Reports, even if such reports are accompanied by Records.

5. Designated Accounts

5.1 The borrower may open one or more designated accounts into which the World Bank may, at the borrower's request, deposit amounts withdrawn from the Financing Account for the purpose of paying for eligible expenditures as they are incurred. Before the World Bank authorizes establishment of a Designated Account, the borrower must have adequate administrative capability, internal controls, and accounting and auditing procedures to ensure effective use of the Designated Account.

5.2 The World Bank may decide not to permit the use of Designated Accounts in new projects if the borrower has failed to refund undocumented advances in the Designated Account of any other loan to, or guaranteed by, the borrower within two months after the Disbursement Deadline Date for that loan.

5.3 *Type of Designated Account.* A Designated Account may be established in one of two ways – as a segregated account or pooled account as appropriate for the project concerned, and as determined and notified by the World Bank.

- (a) *Segregated Account.* An account of the borrower into which only proceeds of the Financing Account may be deposited;
- (b) *Pooled Account.* An account of the borrower into which the funds from the Financing Account and funds of other financing for the project (such as borrower resources or financing by other development partners) may be deposited.

5.4 *Currency of the Designated Account.* Designated Accounts must be in a currency acceptable to the World Bank. In countries that have a freely convertible currency, Designated Accounts may be held in the currency of the borrower or any freely convertible currency. The World Bank may also agree to local currency Designated Accounts when, among other things, the country's currency (even if not freely convertible) is stable and the expenditures to be financed are primarily in local currency. The borrower bears all risks associated with foreign exchange fluctuations between (a) the currency of denomination of the loan and that of the borrower's Designated Account, and (b) the currency of denomination of the borrower's Designated Account and the currency or currencies of project expenditures.

5.5 *Financial Institution.* Designated Accounts must be opened and maintained in a financial institution⁷ selected by the borrower and acceptable to the World Bank. A financial institution is acceptable if it meets all the following requirements:

- (a) It is financially sound;
- (b) It is in good standing;
- (c) It is authorized to maintain the Designated Account in the currency agreed between the World Bank and the borrower;
- (d) It is audited regularly, and receive satisfactory audit reports;

⁷ A financial institution may be the country's central bank, a local development bank or a commercial bank.

- (e) It can execute a large number of transactions promptly;
- (f) It can satisfactorily perform a wide range of banking services;
- (g) It can provide a detailed statement of the Designated Account;
- (h) It is part of a satisfactory correspondent banking network;
- (i) It charges reasonable fees for its services.

5.6 The World Bank reserves the right not to transfer funds to a financial institution if that institution has asserted or asserts a claim to set off, seize, or attach the proceeds of any Bank loan on deposit in a Designated Account maintained by the institution.

6. Terms and Conditions Applicable to Advances

6.1 *Ceiling.* The World Bank notifies the borrower of the maximum amount of funds from the Financing Account that may be on deposit in a Designated Account (the Ceiling). The World Bank, at its discretion, may establish the Ceiling as either (a) a fixed amount, or (b) an amount that is adjusted from time to time during project implementation on the basis of periodic forecasts of project cash flow needs.

6.2 *Applications for Advances.* The borrower may apply for an advance in an amount up to the Ceiling less the aggregate amount of those advances previously received by the borrower for which the borrower has not yet provided supporting documentation. Normally, to support orderly closure of the Financing Account, the World Bank does not advance funds from the Financing Account into the Designated Account after the Closing Date.

6.3 *Frequency of Reporting Eligible Expenditures Paid from the Designated Account.* The borrower reports on the use of funds from the Financing Account advanced to the Designated Account at intervals specified by the World Bank by notice to the borrower. The borrower must ensure that all amounts deposited into the Designated Account are accounted for and that their use is reported prior to the Disbursement Deadline Date. After that date, the borrower must refund to the World Bank any advances still unaccounted for or remaining in the Designated Account.

6.4 *Withholding Advances.* The World Bank is not required to make any deposit into the Designated Account if any of the following conditions apply:

- (a) The World Bank determines that payment of the deposit would result in exceeding the Ceiling (see subsection 6.2, Applications for Advances);
- (b) The World Bank is not satisfied that the borrower's planned project expenditures justify the deposit. The World Bank may adjust the amount it deposits or withhold further deposits into the Designated Account until it is satisfied that the financial needs of the project warrant further deposits;

- (c) The borrower fails to take the action required pursuant to the determinations made by the World Bank under subsections 7.1 and 7.2 of these guidelines;
- (d) The borrower fails to provide any of the audited financial statements required in accordance with, and within the period of time specified in, the Financing Agreement;
- (e) The World Bank determines that all further withdrawals of funds from the Financing Account should be made by the borrower directly from the Financing Account; or
- (f) The World Bank has notified the borrower of its intention to suspend in whole or in part the borrower's right to make withdrawals from the Financing Account.

6.5 *Excess Advances.* If at any time the World Bank determines that any amount deposited in the Designated Account will not be required to cover further payments for eligible expenditures (the Excess Amount), it may, at its discretion, require the borrower to take one of the following two disbursement-related actions:

- (a) Provide evidence satisfactory to the World Bank within a period specified by the World Bank that the Excess Amount will be used to pay for eligible expenditures. If the evidence is not furnished within the time period specified, the borrower must promptly refund the Excess Amount to the World Bank; or
- (b) Refund the Excess Amount promptly.

The borrower must perform the action requested promptly after receiving notification from the World Bank that it must do so.

7. Ineligible Expenditures

7.1 *Ineligible Expenditures Generally.* If the World Bank determines that any amount of the funds from the Financing Account was used to pay for an expenditure that is not eligible pursuant to the Financing Agreement (an ineligible expenditure), the World Bank may, at its discretion, require the borrower to take one of the following two disbursement-related actions, without prejudice to the Bank's right to exercise remedies under the General Conditions⁸ or Standard Conditions⁹ and Financing Agreement.

- (a) Refund an equivalent amount to the World Bank
- (b) Exceptionally, provide substitute documentation evidencing other eligible expenditures.

The borrower must perform the action requested promptly after receiving notification from the World Bank that it must do so.

⁸ The *General Conditions* set forth certain terms and conditions generally applicable to IBRD loans and IDA credits and grants.

⁹ The *Standard Conditions* set forth certain terms and conditions that are generally applicable to trust funds and advances made by the Bank under the Project Preparation Facility.

7.2 *Ineligible Expenditures Paid from the Designated Account.* If the World Bank determines that any payment out of the Designated Account was not justified by the evidence furnished to the World Bank or was made for an ineligible expenditure, the World Bank may, at its discretion, require the borrower to take one of the following actions.

- (a) Provide the additional evidence requested by the World Bank
- (b) Deposit an equivalent amount into the Designated Account
- (c) Refund an equivalent amount to the World Bank
- (d) Exceptionally, provide substitute documentation evidencing other eligible expenditures.

The borrower must perform the action requested promptly after receiving notification from the World Bank that it must do so.

8. Refunds

8.1 *Borrower Decision to Refund.* The borrower may, upon notice to the World Bank, refund all or any amount of the loan on deposit in the Designated Account to the World Bank for credit to the Financing Account.

8.2 *Consequence of Refunds.* The World Bank shall determine whether refunds made to the World Bank in accordance with sections 6 and 7 and subsection 8.1 of these guidelines will be credited to the Financing Account. Refunds of funds into the Financing Account may result in (a) swap termination fees (b) unwinding costs for amounts for which the interest rate basis or currency has been converted or hedged, (c) both.

8.3 *Other Rights and Obligations Unaffected by Refunds.* Refunds of loan amounts do not affect other legal rights and obligations of the parties under the Financing Agreement.

Form of Authorized Signatory Letter
[Letterhead]
Ministry of Finance
Zagreb
Republic of Croatia

[DATE]

The World Bank
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Attention: [Country Director]

Re: Loan No. ____-HR (Modernization and Restructuring of the Road Sector Project)

I refer to the Loan Agreement (“Agreement”) between the International Bank for Reconstruction and Development (the “Bank”) and Republic of Croatia (the “Borrower”), dated _____, providing the above Loan. For the purposes of Section 2.03 of the General Conditions as defined in the Agreement, any ¹[one] of the persons whose authenticated specimen signatures appear below is authorized on behalf of the Borrower to sign applications for withdrawal [and applications for a special commitment] under this Loan.

For the purpose of delivering Applications to the Bank, ²[each] of the persons whose authenticated specimen signatures appears below is authorized on behalf of the Borrower, acting ³[individually] ⁴[jointly], to deliver Applications, and evidence in support thereof on the terms and conditions specified by the Bank.

This confirms that the Borrower is authorizing such persons to accept Secure Identification Credentials (SIDC) and to deliver the Applications and supporting documents to the Bank by electronic means. In full recognition that the Bank shall rely upon such representations and warranties, including without limitation, the representations and warranties contained in 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

¹ Instruction to the Borrower: Stipulate if more than one person needs to sign Applications, and how many or which positions, and if any thresholds apply. *Please delete this footnote in final letter that is sent to the Bank.*

² Instruction to the Borrower: Stipulate if more than one person needs to *jointly* sign Applications, if so, please indicate the actual number. *Please delete this footnote in final letter that is sent to the Bank.*

³ Instruction to the Borrower: Use this bracket if any one of the authorized persons may sign; if this is not applicable, please delete. *Please delete this footnote in final letter that is sent to the Bank.*

⁴ Instruction to the Borrower: Use this bracket only if several individuals must jointly sign each Application; if this is not applicable, please delete. *Please delete this footnote in final letter that is sent to the Bank.*

of Use of SIDC”), the Borrower represents and warrants to the Bank that it will cause such persons to abide by those terms and conditions.

This Authorization replaces and supersedes any Authorization currently in the Bank records with respect to this Agreement.

[Name], [position] Specimen Signature: _____

[Name], [position] Specimen Signature: _____

[Name], [position] Specimen Signature: _____

Yours truly,

/ signed /

[Position]

**Terms and Conditions of Use of Secure Identification Credentials
in connection with Use of Electronic Means
to Process Applications
and Supporting Documentation**

March 1, 2013

The World Bank (Bank)¹ will provide secure identification credentials (SIDC) to permit the Borrower² to deliver applications for withdrawal and applications for special commitments under the Agreement(s) and supporting documentation (such applications and supporting documentation together referred to in these Terms and Conditions of Use as Applications) to the Bank electronically, on the terms and conditions of use specified herein.

SIDC can be either: (a) hardware-based (Physical Token), or (b) software-based (Soft Token). The Bank reserves the right to determine which type of SIDC is most appropriate.

A. Identification of Users.

1. The Borrower will be required to identify in a completed Authorized Signatory Letter (ASL) duly delivered to and received by the Bank each person who will be authorized to deliver Applications. The Bank will provide SIDC to each person identified in the ASL (Signatory), as provided below. The Borrower shall also immediately notify the Bank if a Signatory is no longer authorized by the Borrower to act as a Signatory.
2. Each Signatory must register as a user on the Bank's Client Connection (CC) website (<https://clientconnection.worldbank.org>) prior to receipt of his/her SIDC. Registration on CC will require that the Signatory establish a CC password (CC Password). The Signatory shall not reveal his/her CC Password to anyone or store or record the CC Password in written or other form. Upon registration as a CC user, the Signatory will be assigned a unique identifying account name.

B. Initialization of SIDC.

1. Prior to initialization of SIDC by a Signatory, the Signatory will acknowledge having read, understood and agreed to be bound by these Terms and Conditions of Use.

¹ "Bank" includes IBRD and IDA.

² "Borrower" includes the borrower of an IBRD loan, IDA credit, or Project Preparation Facility advance and the recipient of a grant.

2. Where a Physical Token is to be used, promptly upon receipt of the Physical Token, the Signatory will access CC using his/her account name and CC Password and register his/her Physical Token and set a personal identification number (PIN) to be used in connection with the use of his/her Physical Token, after which the Physical Token will be initialized for use by the Signatory exclusively for purposes of delivering Applications. Where a Soft Token is to be used, the Signatory will access CC using his/her account name and CC Password and set a personal identification number (PIN) to be used in connection with the use of his/her Soft Token, after which the Soft Token will be initialized for use by the Signatory exclusively for purposes of delivering Applications. Upon initialization of the SIDC, the Signatory will be a "SIDC User". The Bank will maintain in its database a user account (Account) for each SIDC User for purposes of managing the SIDC of the SIDC User. Neither the Borrower nor the SIDC User will have any access to the Account.
3. Prior to first use of the SIDC by the SIDC User, the Borrower shall ensure that the SIDC User has received training materials provided by the Bank in use of the SIDC.

C. Use of SIDC.

1. Use of the SIDC is strictly limited to use in the delivery of Applications by the SIDC User in the manner prescribed by the Bank in the Agreement(s) and these Terms and Conditions. Any other use of the SIDC is prohibited.
2. The Bank assumes no responsibility or liability whatsoever for any misuse of the SIDC by the SIDC User, other representatives of the Borrower, or third parties.
3. The Borrower undertakes to ensure, and represents and warrants to the Bank (such representation and warranty being expressly relied upon by the Bank in granting SIDC) that each SIDC User understands and will abide by, these Terms and Conditions of Use, including without limitation the following:
 - 4.1. The SIDC User shall not reveal his/her PIN to anyone or store or record the PIN in written or other form.
 - 4.2. The SIDC User shall not allow anyone else to utilize his/her SIDC to deliver an Application to the Bank.
 - 4.3. The SIDC User shall always logout from CC when not using the system. Failure to logout properly can create a route into the system that is unprotected.
 - 4.4. If the SIDC User believes a third party has learned his/her PIN or has lost his/her Physical Token he/she shall immediately notify clientconnection@worldbank.org.
4. ***Security***

4.5. The Borrower shall immediately notify the Bank at clientconnection@worldbank.org of any lost, stolen or compromised SIDC, and take other reasonable steps to ensure such SIDC are disabled immediately.

5. ***Reservation of Right to Disable SIDC***

5.1. The Borrower shall reserve the right to revoke the authorization of a SIDC User to use a SIDC for any reason.

5.2. The Bank reserves the right, in its sole discretion, to temporarily or permanently disable a SIDC, de-activate a SIDC User's Account or both.

6. ***Care of Physical Tokens***

6.1. Physical Tokens will remain the property of the Bank.

6.2. The Bank will physically deliver a Physical Token to each Signatory designated to receive one in a manner to be determined by and satisfactory to the Bank.

6.3. Physical Tokens contain delicate and sophisticated instrumentation and therefore should be handled with due care, and should not be immersed in liquids, exposed to extreme temperatures, crushed or bent. Also, Physical Tokens should be kept more than five (5) cm from devices that generate electromagnetic radiation (EMR), such as mobile phones, phone-enabled PDAs, smart phones and other similar devices. Physical Tokens should be carried and stored separate from any EMR device. At close range (less than 5 cm), these devices can output high levels of EMR that can interfere with the proper operation of electronic equipment, including the Physical Token.

6.4. Without derogating from these Terms and Conditions of Use, other technical instructions on the proper use and care of Physical Tokens are available at <http://www.rsa.com>.

7. ***Replacement***

7.1. Lost, damaged, compromised (in terms of 4.5, above) or destroyed Physical Tokens will be replaced at the expense of the Borrower.

7.2. The Bank reserves the right, in its sole discretion, not to replace any Physical Token in the case of misuse, or not to reactivate a SIDC User's Account.

Statement of Expenditures (SOE)

Payments made during the period from _____ to _____

Loan No.: _____
 Application No.: _____
 Category No.: _____
 SOE No.: _____

1	2	3	4	5	6	7	8	9	10	11
Supplier's Name	WB Contract Number in Client Connection (for Prior Review Contracts)	Type of Good or Service (CW/GO/CS/OP/TR) / Brief Description	Currency and Total Amount, and Date of Contract	Currency and Total Amount of Invoice Covered by Application	% Financed by IBRD/IDA/TF	Amount Eligible for Financing (5 x 6)	Currency and Amount Paid from Designated Account (if Applicable)	Exchange Rate	Date of Payment	Remarks
TOTALS										

Supporting documents for this SOE retained at _____ (location)

MODERNIZATION AND RESTRUCTURING OF THE ROADS SECTOR PROJECT

Statement of Expenditures (SOE)
For retrenchment payments
paid fromto

Loan No.: _____
Application No.: _____
Category No.: _____
SOE No.: _____

Disbursement Cat./Subcat. (col. 1)	Number of staff who received payments	Total Gross Expenditures /ii In HRK (col. 2)	% IBRD financing (col. 3)	Eligible for Bank's Financing In HRK (col. 4)=(col. 2*3)	Entity/Other Share Paid In HRK (col. 5)	Amount Paid from Designated Account In EUR (col. 6)	Exchange Rate (col. 7)	Date of Payment (col. 8)
1. Retrenchment Payments by type: /i								
a) Severance payments - voluntary leaves			100%					
b) Notice payments - involuntary severance			100%					
GRAND TOTAL								

/i - types to be adjusted if needed. total payments should reconcile to the amounts in the quarterly IFRs for the same period
/ii - including taxes and other social charges related to the retrenchment payments

DESIGNATED ACCOUNT RECONCILIATION STATEMENT

LOAN/CREDIT/PPF/COFINANCIER NUMBER _____
ACCOUNT NUMBER _____ WITH (BANK) _____

- 1. TOTAL ADVANCED BY WORLD BANK (OR COFINANCIER) \$ _____
- 2. LESS: TOTAL AMOUNT RECOVERED BY WORLD BANK - \$ _____
- 3. EQUALS PRESENT OUTSTANDING AMOUNT ADVANCED TO THE SPECIAL ACCOUNT (NUMBER 1 LESS NUMBER 2) = \$ _____

=====

4. BALANCE OF SPECIAL ACCOUNT PER ATTACHED BANK STATEMENT AS OF DATE _____ \$ _____

5. PLUS: TOTAL AMOUNT CLAIMED IN THIS APPLICATION NO. _____ + \$ _____ *

6. PLUS: TOTAL AMOUNT WITHDRAWN AND NOT YET CLAIMED REASON: _____ + \$ _____ *

7. PLUS: AMOUNTS CLAIMED IN PREVIOUS APPLICATIONS NOT YET CREDITED AT DATE OF BANK STATEMENTS

<u>APPLICATION NO.</u>	<u>AMOUNT *</u>
_____	_____
_____	_____

SUBTOTAL OF PREVIOUS APPLICATIONS NOT YET CREDITED + \$ _____

8. MINUS: INTEREST EARNED - \$ _____ *

9. TOTAL ADVANCE ACCOUNTED FOR (NO. 4 THROUGH NO. 9) = \$ _____

10. EXPLANATION OF ANY DIFFERENCE BETWEEN THE TOTALS APPEARING ON LINES 3 AND 9:

11. DATE: _____ SIGNATURE: _____

TITLE: _____