

**CONFORMED COPY**

**CREDIT NUMBER 3651 YF**

# **Development Credit Agreement**

**(Trade and Transport Facilitation in Southeast Europe Project)**

**between**

**FEDERAL REPUBLIC OF YUGOSLAVIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated June 14, 2002**

**CREDIT NUMBER 3651 YF**

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated June 14, 2002, between FEDERAL REPUBLIC OF YUGOSLAVIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the

Association).

WHEREAS (A) the Borrower has entered into a Memorandum of Understanding (the MOU) on November 8, 2001 with other Regional Countries (as hereinafter defined) confirming the Borrower's and Regional Countries' commitment to a regional trade and transport facilitation in Southeast Europe program (the Regional Program);

(B) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(C) with respect to Parts A.2, B.2 and D.2 of the Project, the Federal Government of the Borrower will make available to the Government of the Republic of Montenegro, through the Component Implementation Agreement (as defined hereinafter), the proceeds of the Credit equivalent to SDR 850,000, as provided in this Agreement;

(D) to assist in financing the Project, the Borrower intends to obtain financial assistance from other external sources in an amount of approximately three million one hundred thousand Dollars (\$3,100,000) equivalent; and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement,

NOW THEREFORE the parties hereto hereby agree as follows:

## ARTICLE I

### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement: the second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Component Implementation Agreement” means the agreement between the Federal Government of the Borrower and the Government of the Republic of Montenegro referred to in Section 3.02 (a) of this Agreement, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Component Implementation Agreement;

(b) “Customs Modernization Strategy” means the strategy adopted by the Borrower on November 30, 2001, and satisfactory to the Association, describing the measures to be taken during the period of project implementation to strengthen the FCA, as the same may be amended from time to time, subject to the Association’s approval;

(c) “FCA” means the Federal Customs Administration, a customs agency of the Federal Government of the Borrower;

(d) “Federal Coordinator” means the coordinator designated by the Borrower to be responsible for the coordination of the Project-related activities of agencies of the Borrower;

(e) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 (a) of this Agreement;

(f) “MCA” means the Administrative Unit of the Customs Administration on the territory of the Republic of Montenegro;

(g) “MCA Project Manager” means the person designated by the Government of the Republic of Montenegro to manage the implementation of Parts A.2, B.2 and D.2 of the Project, and to monitor the implementation of Part C of the Project;

(h) “MOF” means the Federal Ministry of Finance of the Borrower;

(i) “Montenegrin Coordinator” means the coordinator designated by the Government of the Republic of Montenegro to be responsible for the coordination of the Project-related activities of agencies of the Republic of Montenegro;

(j) “PIP” means the Project Implementation Plan, including the Customs Modernization Strategy, setting out the measures required for implementation of the Project; as the same may be amended from time to time, subject to the Association’s approval;

(k) “PIT” means a project implementation team established by and within the FCA, and referred to in Section 3.03 (b) of this Agreement, or any successor thereto;

(l) “Project Manager” means the person designated by the Federal Government of the Borrower to manage the implementation of Parts A.1, B.1 and D.1 of the Project, and to monitor the implementation of Part C of the Project;

(m) “RSC” means the Regional Steering Committee established by the Regional Countries under the MOU for the purpose of overseeing implementation of the Regional Program;

(n) “Regional Country” means each country participating in the Regional Program;

(o) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement; and

(p) "Website Coordinator" means the Website Coordinator as designated for purposes of the Project.

## **ARTICLE II**

### **The Credit**

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to five million five hundred thousand Special Drawing Rights (SDR 5,500,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, services and incremental operating costs required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of each of the Project, open and maintain in Dollars, a special deposit account in a commercial bank, acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be September 30, 2006, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty (60) days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the

Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ( $\frac{3}{4}$  of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on April 15 and October 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each April 15 and October 15, commencing October 15, 2012, and ending April 15, 2022. Each installment shall be five percent (5%) of such principal amount.

Section 2.08. The Dollar is hereby specified for the purposes of Section 4.02 of the General Conditions.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. The Borrower declares its commitment to the objectives of the Project, and, to this end, without any limitation or restriction upon any of its other obligations under this Agreement, shall carry out the Project with due diligence and efficiency, and in conformity with appropriate administrative, financial, and technical practices, and in accordance with the PIP, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. (a) Without limitation upon the provisions of Section 3.01, and except as the Association and the Borrower shall otherwise agree, the Borrower, in order to ensure the implementation of Parts A.2, B.2 and D.2 of the Project, shall make the proceeds of the Credit equivalent to SDR 850,000 available to the Government of the Republic of Montenegro, under a component implementation agreement (Component Implementation Agreement), to be entered between the Federal Government of the Borrower and the Government of the Republic of Montenegro, under terms and conditions which shall have been approved by the Association, which shall include the terms and conditions set forth in paragraph 2 of the Annex to Schedule 5 to this Agreement;

(b) The Borrower shall exercise its rights under the Component Implementation Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate, repeal or waive the Component Implementation Agreement, or any provision thereof.

Section 3.03. Without limitation upon the provisions of Section 3.01, and except as the Association and Borrower shall otherwise agree, the Borrower shall:

- (a) carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement, and the PIP; and
- (b) maintain, during the term of the Project, a project implementation team (PIT), with staff and resources necessary and appropriate for the Project.

Section 3.04. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

## **ARTICLE IV**

### **Financial Covenants**

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one (1) year after the Association has received the

audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the reporting obligations set forth in Part C of Schedule 5 of this Agreement, the Borrower shall prepare and furnish to the Association financial monitoring reports, in form and substance satisfactory to the Bank, which:

- (i) set forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describe physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) set forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first Financial Monitoring Report shall be furnished to the Association not later than forty five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each Financial Monitoring Report shall be furnished to the Association not later than forty five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.

## **ARTICLE V**

### **Remedies of the Association**

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

(a) the MOU shall have been amended, suspended, abrogated, terminated, waived or otherwise modified so as to affect materially and adversely the ability of the Borrower to perform its obligations under this Agreement; and

(b) the Government of the Republic of Montenegro shall have failed to perform any

of its obligations under the Component Implementation Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified, namely that the events specified in Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower.

## **ARTICLE VI**

### **Effective Date; Termination**

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Coordinators of the Borrower and the Republic of Montenegro and all border agencies have entered into a memorandum of understanding providing the Website Coordinator with up-to-date and publicly available information on waiting time and opening hours at border crossings, bylaws, and procedures of border agencies;

(b) the FCA has introduced selective processing of vehicles and goods at its pilot locations, and has introduced a WTO-consistent standard declaration processing fee sufficient to fund the maintenance of the FCA computer systems; and

(c) the Federal Government of the Borrower has submitted to the Federal Parliament a new Federal Customs Code proposal, satisfactory to the Association.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

## **ARTICLE VII**

### **Representative of the Borrower; Addresses**

Section 7.01. The Deputy Prime Minister is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:



Federal Government  
Bul. Mihajila Pupina 2  
11070 Belgrade  
Federal Republic of Yugoslavia

Facsimile:

(381 11) 311-2979

For the Association:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

Telex:

Facsimile:

INDEVAS  
Washington, D.C.

248423 (MCI) or  
64145 (MCI)

(202) 477-6391

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

FEDERAL REPUBLIC OF YUGOSLAVIA

By /s/ Miroljub Labus

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Johannes Linn

Regional Vice President  
Europe and Central Asia

## SCHEDULE 1

### Withdrawal of the Proceeds of the Credit

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

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods:		
(a) under Parts A.1 and B.1 of the Project	2,980,000	100% of local expenditures, 95% of foreign expenditures
(b) under Parts A.2 and B.2 of the Project	480,000	83% of local expenditures, 80% of foreign expenditures
(2) Consultants' services, including training:		
(a) under Parts A.1, B.1 and D.1 of the Project, including auditing services	1,240,000	70% for services by individuals, 80% for services by firms
(b) under Parts A.2, B.2 and D.2 of the Project	260,000	75% for services by foreign individuals, 68% for services by local individuals, 81% for services by firms
(3) Incremental operating costs:		83% of expenditures Incurred until December 31, 2003
(a) under Part D.1 of the Project	80,000	60% of expenditures incurred thereafter

(b)	under Part D.2	20,000
	of the Project	
(4)	Unallocated:	
(a)	under Parts A.1, B.1 and	350,000
	D.1 of the Project	
(b)	under Parts A.2, B.2 and	
	D.2 of the Project	<u>90,000</u>
	TOTAL	<u>5,500,000</u>

2. For the purposes of this Schedule:

(a) the term "training" means the fees of educational or other institutions and organization, that provide training services, cost of study tours, cost of workshops, related travel expenditures, boarding, lodging and per diem allowances of the trainees;

(b) the term "Incremental operating costs" means reasonable and necessary incremental expenditures, as approved by the Association, incurred by the PIT with respect to Project implementation, management and monitoring, including office supplies, communication costs, publication of procurement notices, vehicle operation, travel and supervision costs, but excluding salaries of officials and employees of the Borrower and Republic of Montenegro; and

(c) the term "local expenditures" means expenditures in the currency of the Borrower for goods supplied from the territory of the Borrower; the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods supplied from the territory of any country other than that of the Borrower.

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 Agreement; and

(b) Categories (1) (b) and (2) (b), unless: (i) the Component Implementation Agreement has been executed by the Federal Government of the Borrower and the Government of the Republic of Montenegro, and all conditions to the effectiveness of such agreement have been fulfilled; and (ii) the Republic of Montenegro border agencies have entered into a memorandum of understanding providing for and ensuring continuous processing of passengers during working hours by all such agencies at the pilot border crossing point of Debeli Breg.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing less than \$100,000 equivalent each; (b) services for individuals costing less than \$50,000 equivalent each, and firms costing less than \$100,000 equivalent each with the exception of the first contract; and (c) incremental operating costs, under such terms and conditions as the Association

shall specify by notice to the Borrower.

## **SCHEDULE 2**

### **Description of the Project**

The objectives of the Project are: (a) the reduction of the non-tariff costs of trade and transport at the Borrower's borders; and (b) the reduction of smuggling and corruption at the border crossings of the Borrower.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

#### **Part A: Institutional Strengthening**

1. Implementation of measures to reform and modernize the FCA, through the provision of technical services.
2. Implementation of measures to reform and modernize the MCA, through the provision of technical services.

#### **Part B: Information System Improvement**

1. Development and strengthening of the customs information system of the FCA, through the provision of goods, services and training.
2. Development and strengthening of the customs information system of the MCA, through the provision of goods, services and training.

#### **Part C: Trade Facilitation**

Facilitation of trade development through the establishment, operation and maintenance of a regional website, in support of the Regional Program, and provision of training and other technical assistance for the private sector in the area of trade transport and logistics, through the provision of goods, services, and training.

#### **Part D: Project and Regional Program Support**

1. Provision of support to the FCA (PIT) in Project management, implementation, and monitoring, through the provision of services, including the audit of accounts and financial statements referred to in Section 4.01 (b) of this Agreement and training, and financing of incremental operating costs.
2. Provision of support to the Government of the Republic of Montenegro in technical and operational aspects of the implementation of Parts A.2 and B.2 of the Project, and monitoring of Part C of the Project, through the provision of services and training, and financing of incremental operating costs.

\* \* \*

The Project is expected to be completed by March 31, 2006.

### **SCHEDULE 3**

#### **Procurement and Consultants' Services**

##### Section I. Procurement of Goods

###### Part A: General

Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the provisions of the following Parts of this Section I.

###### Part B: International Competitive Bidding

Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

###### Part C: Other Procurement Procedures

###### 1. International Shopping

Goods estimated to cost less than \$100,000 per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

###### 2. National Shopping

Goods estimated to cost less than \$50,000 per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

###### 3. Direct Contracting

Goods which are of a proprietary nature (customs-related computer software required by the European Commission) and costing \$150,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

## Part D: Review by the Association of Procurement Decisions

### 1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

### 2. Prior Review

With respect to each contract awarded in accordance with the provisions of Section I, Parts B and C.3 of this Schedule, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

### 3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

## Section II. Employment of Consultants

### Part A: General

Consultants' services, including the services of an independent private sector service provider under any Management Contract, shall be procured in accordance with: (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines); and (b) the provisions of the following Parts of this Section II.

### Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultant services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality-and cost-based selection of consultants.

## Part C: Other Procedures for the Selection of Consultants

### 1. Selection Under a Fixed Budget

Services for specialized technology training may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

### 2. Least-cost Selection

Services for the Project audits may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

### 3. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

### 4. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

## Part D: Review by the Association of the Selection of Consultants

### 1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

### 2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, and the first contract procured under the Consultants' Qualification method, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

### 3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.



## SCHEDULE 4

### Special Account

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1) through (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, services and incremental operating costs required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term “Authorized Allocation” mean an amount equivalent to \$300,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$150,000, until the aggregate amount of withdrawals from the Credit Account of amounts allocated to the Special Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal or exceed the equivalent of SDR 500,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for

eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of expenditures to be financed out of the proceeds of the Credit allocated to said Categories, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the said eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraph 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

## **SCHEDULE 5**

### **Implementation Program**

#### **Part A: Implementation Responsibilities**

1. The PIT, acting under the direction of the Project Manager and MCA Project Manager, shall perform all technical responsibilities for Project implementation, including: (a) preparation, with the assistance of consultants, of bidding and contract documents under the Project; (b) the maintenance of the Project financial records and accounts and arranging for the audit thereof; (c) preparation of the quarterly reports on Project progress, referred to in Part B of this Schedule; and (d) supervision of progress of Project implementation.
2. The Borrower, acting through the FCA, shall ensure that the PIT shall be maintained until the completion of the Project under terms of references and with staff and other measures satisfactory to the Association.
3. The Borrower shall ensure: (a) that each annual plan for Project implementation referred to paragraph 1 above shall be prepared after a review between the Borrower and the Association of progress in meeting the targets indicated in the PIP, including the targets set forth in the Annex to this Schedule and the targets indicated in the Customs Modernization Strategy; and (b) that the inclusion of investments and other Project activities in said plan, as well as the procurement arrangements thereof, shall be made in agreement between the Borrower and the Association.
4. The Borrower shall ensure that: (a) the Customs Modernization Strategy shall not be amended without prior agreement by the Association; and (b) the Borrower's actions in the area of customs modernization, including activities supported by technical assistance, are consistent with the PIP and Project objectives.
5. The Borrower shall maintain its participation in the RSC, participate in the preparation of its agenda and organize a meeting of the RSC in turn with the other Regional Countries.
6. The Borrower shall ensure the establishment and functioning, by the time of this Agreement's effectiveness, of mechanisms at all border agencies to provide the Website Coordinator with current information to be made available to customs users, on waiting times and opening hours at border crossing and customs regulations and procedures of border agencies.

The day-to-day responsibility for the implementation of Part C of the Project shall be assigned to the Website Coordinator and the Yugoslav Chamber of Commerce and Industry.

7. The Borrower shall engage the auditors referred to in Section 4.01 (b) (i) of this Agreement by or before September 30, 2002.

Part B: Reporting

The Borrower shall ensure the timely preparation by the PIT and submission to the Association of quarterly reports on the progress of Project implementation.

Part C: Monitoring

1. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators included in the PIP and satisfactory to the Borrower and Association, including those set forth in the Annex to this Schedule 5, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, by October 15 of each year, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 1 (a) of this Part C, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by November 15 of each year, or such later date as the Association shall request, the report referred to in paragraph 1 (b) of this Part C, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

2. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

**Annex to**

**SCHEDULE 5**

1. Except as the Association may otherwise agree, the Borrower shall take all necessary measures to achieve the following targets:

(a) the total number of customs declarations which result in a physical inspection by the FCA at its pilot inland terminal does not exceed, on a monthly basis: (i) 75% by September 30, 2002; (ii) 30% by September 30, 2003; and (iii) 10% by September 30, 2004;

(b) the number of trucks completing import clearance in less than 15 minutes at the FCA pilot inland terminal exceeds, on a monthly basis: (i) 2% by September 30, 2002; (ii) 10% by September 30, 2002, and (iii) 20% by September 30, 2004; and

(c) the number of incoming trucks opened at its pilot border-crossings does not exceed, on a monthly basis: (i) 60% by September 30, 2002; (ii) 30% by September 30, 2003; and (iii) 20% by September 30, 2004.

2. Except as the Association may otherwise agree, the Borrower shall ensure that the Government of the Republic of Montenegro undertakes all necessary measures to achieve the following targets:

(a) the total number of customs declarations which result in a physical inspection by the MCA at its pilot inland terminal does not exceed, on a monthly basis: (i) 80% by September 30, 2002; (ii) 50% by September 30, 2003; and (iii) 30% by September 30, 2004;

(b) the number of trucks completing import clearance in less than 15 minutes at the MCA pilot inland terminal exceeds, on a monthly basis: (i) 10% by September 30, 2002; (ii) 12% by September 30, 2002, and (iii) 15% by September 30, 2004; and

(c) the number of incoming trucks opened at its pilot border-crossings does not exceed, on a monthly basis: (i) 70% by September 30, 2002; (ii) 50% by September 30, 2003; and (iii) 35% by September 30, 2004.

