

CONFORMED COPY
November 9, 2011

Her Excellency
Martina Dalic
Minister
Ministry of Finance
Katanciceva 5
10000 Zagreb
Republic of Croatia

**Re: IBRD Loan 7453-HR Inland Waters Project
Additional Instructions: Disbursement**

Excellency:

We refer to the Loan Agreement between the International Bank for Reconstruction and Development (the “Bank”) and the Republic of Croatia (the “Addressee”) for the above-referenced project (the “Loan Agreement”), dated June 12, 2007. We also refer to your request on behalf of the Addressee contained in the Addressee’s letter dated May 13, 2011. The Agreement provides that the Bank may issue additional instructions regarding the withdrawal of the Loan proceeds under Loan 7453-HR (“Loan”). This letter (“Disbursement Letter”), as revised from time to time, constitutes the additional instructions.

This Disbursement Letter is a First Restatement of the Disbursement Letter dated June 12, 2007 for the above referenced project restating Section II (iii and iv) to change the minimum application size and the ceiling for Advance. All other provisions of the Disbursement Letter dated June 12, 2007, except as amended, shall remain in force and effect.

The attached World Bank Disbursement Guidelines for Projects, dated May 1, 2006 (“Disbursement Guidelines”) (Attachment 1), are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the 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
- Special Commitment

(ii) Disbursement Deadline Date (subsection 3.6). The Disbursement Deadline Date is the Closing Date specified in the Loan Agreement. Any changes to this date will be notified by the Bank.

II. Withdrawal of Loan Proceeds

(i) Authorized Signatures (subsection 3.1). A 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, DC 20433
United States of America
Attention: Peter Harrold, Country Director

(ii) Applications (subsections 3.2 - 3.3). Please provide completed and signed (a) applications for withdrawal, together with supporting documents, and (b) applications for special commitments, together with a copy of the commercial bank letter of credit, to the address indicated below:

The World Bank
Radnicka cesta 80, 9th floor
HR-10000 Zagreb, Croatia
Attention: Loan Department, Disbursement Management Group

(iii) Minimum Value of Applications (subsection 3.4). The Minimum Value of Applications for direct payment, and Special Commitment is € 400,000 equivalent.

(iv) 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):** a commercial bank/financial institution acceptable to the Bank.
- **Ceiling (subsection 6.1):** € 2 million.

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:**
 - Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments against contracts valued at more than €4,200,000 equivalent for works and more than €800,000 equivalent for goods, more than

€80,000 equivalent for consulting firms, and more than €40,000 equivalent for individual consultants.

- Statement of Expenditure in the form attached (Attachment 3) for all other expenditures/contracts; and
- List of payments against contracts that are subject to the Bank's prior review, in the form attached (Attachment 4)
- ***For reporting eligible expenditures paid from the Designated Account:***
 - Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments against contracts valued at more than €4,200,000 equivalent for works and more than €800,000 equivalent for goods, more than €80,000 equivalent for consulting firms, and more than €40,000 equivalent for individual consultants.
 - Statement of Expenditure in the form attached (Attachment 3) for all other expenditures/contracts; and
 - List of payments against contracts that are subject to the Bank's prior review, in the form attached (Attachment 4)
 - Bank Statement and reconciliation statement
- ***For requests for direct payment:*** records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices

IV. Other Important Information

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

From the Client Connection website, you will be able to download Applications, monitor the near real-time status of the Loan, and retrieve related policy, financial, and procurement information.

If you have any queries in relation to the above, please contact me at (loa-eca@worldbank.org) using the above reference.

Regards,
INTERNATIONAL BANK FOR RECONSTRUCTION

By: /s/ Joseph P. Formoso
Senior Finance Officer
Loan Department

Attachments are with the original disbursement letter.

Cc:

Mr. Zdravko Krmek, State Secretary, Ministry of Regional Development, Forestry and Water Management

Mr. Jadranko Husaric, General Director, Croatian Waters

Mr. Dinko Polic, Project Director, Croatian Waters

Prepared by: Joseph P. Formoso, CTRLA

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