

CONFORMED COPY

CREDIT NUMBER 2905 BOS

Development Credit Agreement

(Emergency Landmines Clearance Project)

between

BOSNIA AND HERZEGOVINA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 31, 1996

CREDIT NUMBER 2905 BOS

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 31, 1996, between BOSNIA AND HERZEGOVINA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) 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;

(B) the Borrower is a party to the Agreement on the Military Aspects of the Peace Settlement under the General Framework Agreement for Peace in Bosnia and Herzegovina and is as such committed, inter alia, not to placing any additional minefields; 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, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The second sentence of Section 5.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories

of any country which is not a member of the Bank 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."

(b) The last sentence of Section 3.02 is deleted.

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

(a) "Federation" means the Federation of Bosnia and Herzegovina, a political subdivision of the Borrower, and includes any successor or successors thereto;

(b) "Republika Srpska" means Republika Srpska, a political sub-division of the Borrower, and includes any successor or successors thereto;

(c) "MPRA" means the Mine Protection and Removal Agency, an administrative agency of the Borrower, established pursuant to decision No. 67/96, dated March 29, 1996, of the Government of Bosnia and Herzegovina under the Law on the Government of Bosnia and Herzegovina (Official Gazette of RBiH No. 13/94 and 3/96);

(d) "Mines" means landmines and includes explosive items such as bombs, booby traps, munitions and unexploded ordnance of any kind;

(e) "Federation Subsidiary Financing and Project Implementation Agreement" means the agreement entered or to be entered into between the Borrower and the Federation pursuant to the provisions of Section 3.02 of this Agreement;

(f) "Republika Srpska Subsidiary Financing and Project Implementation Agreement" means the agreement entered or to be entered into between the Borrower and Republika Srpska pursuant to the provisions of Section 3.02 of this Agreement;

(g) "Subsidiary Financing and Project Implementation Agreements" means the Federation Subsidiary Financing and Project Implementation Agreement and Republika Srpska Subsidiary Financing and Project Implementation Agreement; and "Subsidiary Credit" means the portion of the Credit made available to the Federation and Republika Srpska under the Federation Subsidiary Financing and Project Implementation Agreement and Republika Srpska Subsidiary Financing and Project Implementation Agreement, as the case may be;

(h) "Project Preparation Advance" or "PPA" means any project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated June 7, 1996 and June 21, 1996 between the Borrower and the Association (Agreement Letter P992-0-BOS); and

(i) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement;

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 the Development Credit Agreement, an amount in various currencies equivalent to Special Drawing Rights five million three hundred thousand (SDR 5,300,000).

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 and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of Part A and Part B of the Project, open and maintain in Dollars separate special deposit accounts in a commercial bank or commercial banks, 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 Accounts shall be made in

accordance with the provisions of Schedule 4A and 4B to this Agreement.

(c) Promptly after the effective date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1998 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 cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or 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 payment 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 per cent (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 March 15 and September 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each March 15 and September 15 commencing September 15, 2006 and ending March 15, 2031. Each installment to and including the installment payable on March 15, 2016 shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 Dollars for five (5) consecutive years; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall cause the Federation and Republika Srpska, to carry out Parts A and B of the Project, respectively, with due diligence and efficiency and in conformity with appropriate administrative, financial, and engineering practices and shall take or cause to be taken all actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the Federation and Republika Srpska to carry out the respective part of the Project, and shall not take or permit to be taken any action which would prevent or interfere with the Federation and Republika Srpska carrying out their respective part of the Project.

Section 3.02. (a) The Borrower shall make the proceeds of the Credit available to the Federation and Republika Srpska, respectively, pursuant to separate subsidiary financing and project implementation agreements to be entered into between the Borrower and the Federation and the Borrower and Republika Srpska under terms and conditions which shall have been approved by the Association and which shall, inter alia, include the terms and conditions specified in Schedule 5 to this Agreement.

(b) The Borrower shall exercise its rights under the Federation Subsidiary Financing and Project Implementation Agreement and Republika Srpska Subsidiary Financing and Project Implementation Agreement in such a manner so as to protect the interest 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 or waive the Federation Subsidiary Financing and Project Implementation Agreement or Republika Srpska Subsidiary Financing Agreement, or any provision thereof.

Section 3.03. Except as the Association shall otherwise agree, procurement of the goods, works 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.

Section 3.04. The Borrower shall, until completion of the Project, maintain MPRA with such powers, functions, and responsibilities and such staff, funds, facilities and other resources reasonably required to carry out the Project and deemed satisfactory by the Association. The staff of MPRA shall include such personnel as agreed with the Association.

Section 3.05. The Borrower shall ensure and shall cause the Federation and Republika Srpska to ensure that all Mine clearance activities are carried out and all Mines cleared under the Project are promptly destroyed in accordance with safety standards and guidelines of the United Nations.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association, who are to be employed by October 31, 1996 on terms and conditions satisfactory to the Association;

(ii) furnish to the Association, as soon as available, but in any case not later than four (4) months after the end of each such year, a certified copy of the 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 said records, accounts and the audit thereof as the Association shall

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 accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Accounts 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.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely, that the development activity for which the land or facilities has or have been cleared of Mines under the Project is, in the sole opinion of the Association, jeopardized by laying down new Mines anywhere in the territory of the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01(b) of the General Conditions, namely, that the Federation Subsidiary Financing and Project Implementation Agreement has been executed by the parties thereto.

Section 6.02. The date sixty (60) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. The obligations of the Borrower under Article III of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date twenty (20) years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower 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:

Ministry of Finance
Mehmeda Spahe 5
71000 Sarajevo
Bosnia and Herzegovina

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

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 District of Columbia, United States of America, as of the day and year first above written.

BOSNIA AND HERZEGOVINA

By /s/ Sven Alkalaj

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Christine Wallich

Acting 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:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Works (Mine clearance)		100% (net of taxes)
(a) under Part A.1 of the Project	2,440,000	
(b) under Part B.1 of the Project	1,050,000	
(2) Goods (Mine-clearing equipment, vehicles, and supplies) (ex-factory cost) and		100% of foreign expenditures, 100% of local expenditures
(a) under Part A of the Project	80,000	85% of local expenditures for other items procured locally
(b) under Part B of the Project	30,000	

(3) Consultants' services and training		100%	
(a) under Part A.3 and A.4 of the Project	90,000		
(b) under Part B.3 and B.4 of the Project	40,000		
(4) Operating Cost		100%	
(a) under Part A.4 of the Project	80,000		
(b) under Part B.4 of the Project	30,000		
(5) Refunding of Project Preparation Advance	520,000		Amount due pursuant to Section 2.02 (c) of this Agreement
(6) Unallocated	940,000		
TOTAL	5,300,000		

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "Operating Costs" means the costs of staff, facilities (rent), services and other resources of MPRA and the agencies within the Federation and Republika Srpska required to implement the Project as may be agreed by the Association.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures: (a) prior to the date of this Agreement; and (b) under Categories 1(b), 2(b), 3(b), and 4(b) unless: (i) evidence, satisfactory to the Association, has been furnished to the Association, by December 31, 1996, confirming that Republika Srpska Subsidiary Financing and Project Implementation Agreement has been duly executed by the parties thereto; and (ii) the Association has received an opinion or opinions that Republika Srpska Subsidiary Financing and Project Implementation Agreement has been duly executed by the parties thereto and is legally binding upon them in accordance with its terms.

4. In the event the evidence required under paragraph 3(b)(i) hereof is not furnished by the date specified therein, the Association may, by notice to the Borrower, cancel the amounts allocated to Categories 1(b), 2(b), 3(b), and 4(b) specified in the table in paragraph 1 hereof.

5. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods and works under contracts costing less than \$500,000 equivalent; (b) employment of consultants under contracts costing less than (i) \$100,000 equivalent in case of firms, and (ii) \$50,000 equivalent in case of individuals; and (c) Incremental Operating Costs, each under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower to clear Mines to protect its vulnerable population and support its development activities and emergency reconstruction program for economic recovery and restoration of essential public services.

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: Mine Clearance in The Federation

1. Undertaking Mine-clearance for urgent infrastructure repair or rehabilitation works to be carried out under the Federation's overall reconstruction program and provision of equipment and medical support required therefor.
2. Carrying out of Mine-awareness programs for protecting vulnerable population groups.
3. Provision of training for Mine-clearance team leaders and supervisors, survey specialists, Mine-awareness instructors, dog handlers, and operational and logistic management staff and equipment required therefor.
4. Strengthening the capacity of the MPRA, and the agencies within the Federation required to implement the Project, to coordinate Mine-related activities, supervision of mine clearing and operating and safety standards, and carrying out of quality assurance.

Part B: Mine Clearance in Republika Srpska

1. Undertaking Mine-clearance for urgent infrastructure repair or rehabilitation works to be carried out under Republika Srpska's overall reconstruction program and provision of equipment and medical support required therefor.
2. Carrying out of Mine-awareness programs for protecting vulnerable population groups.
3. Provision of training for Mine-clearance team leaders and supervisors, survey specialists, Mine-awareness instructors, dog handlers, and operational and logistic management staff; and equipment required therefor.
4. Strengthening the capacity of the MPRA, and the agencies within Republika Srpska required to implement the Project, to coordinate Mine-related activities, supervision of Mine clearing and operating and safety standards, and carrying out of quality assurance.

* * *

The Project is expected to be completed by June 30, 1998.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works 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 1996 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: Procurement Procedures

1. National Competitive Bidding

Except as provided in paragraph 2 hereof, works shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines with the following modifications:

- (i) General prequalification will be carried out through advertising in the local press. The list of prequalified bidders will be updated from time to time as a result of new expression of interest and information submitted by qualified contractors;
- (ii) prequalified bidders will be allowed a minimum of four (4) weeks to submit their bids;

- (iii) bidding documents will follow the formats of the National Competitive Bidding documents agreed with the Association;
- (iv) if interested, foreign bidders will be allowed to submit bids;
- (v) bids will be submitted in sealed envelopes, and both mailed and handcarried bids will be accepted;
- (vi) all bids will be opened at the same time in public;
- (vii) contracts will be awarded to the lowest evaluated bidder; and
- (viii) bidders will not be asked, nor allowed to change the substance of their bids after the bid closing date, and price negotiations with the lowest evaluated bidder will be confined to those cases listed in the Guidelines.

2. Direct Contracting

Mine-clearance works, which are required to respond to urgent Mine-clearing needs in support of reconstruction of certain key facilities and costing \$1,050,000 equivalent or less in the aggregate under Part A of the Project and \$450,000 equivalent or less in the aggregate under Part B of the Projects, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

3. International Shopping

Goods estimated to cost more than \$200,000 equivalent but \$1,000,000 equivalent or less per contract, 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 and using standard documentation agreed with the Association.

4. National Shopping

Goods estimated to cost \$200,000 equivalent or less per contract 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.

Part C: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or 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 and works 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: (a) first two contracts for works under Part B.1 hereof, (b) each contract for works under Part B.2 hereof; and (c) each contract for works and goods, estimated to cost the equivalent of \$500,000 or more, 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

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where

no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Association shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Association review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Association, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 4A

Special Account A for Part A of the Project

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1(a), 2(a), 3(a), and 4(a) 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 and services 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" means an amount equivalent to \$525,000 to be withdrawn from the Credit Account and deposited in the Special Account A pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account A 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 Special Account A has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account A shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits 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 in the Special Account A such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account A, the Borrower shall furnish to the Association requests for deposits into the Special Account A 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 A 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 A 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 A, 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 the Special Account A:

(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 A;

(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 the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, 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 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 A 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 A: (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 A (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 A 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 A 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 A.

(d) Refunds to the Association made pursuant to paragraphs 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 4B

Special Account B for Part B of the Project

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1(b), 2(b), 3(b) and 4(b) 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 and services 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" means an amount equivalent to \$225,000 to be withdrawn from the Credit Account and deposited into the Special Account B

pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account B 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 Special Account B has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account B shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits 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 B such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account B, the Borrower shall furnish to the Association requests for deposits into the Special Account B 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 B 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 B 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 B, 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 the Special Account B:

(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 B;

(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 the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, 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 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 B 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 B: (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 B (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 B 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 B 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 B.

(d) Refunds to the Association made pursuant to paragraphs 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

Terms and Conditions of Subsidiary Financing and Project Implementation Agreements

The principal terms and conditions of the Subsidiary Financing and Project Implementation Agreements shall include the following:

1. The Borrower shall onlend the proceeds of the Credit to the Federation and Republika Srpska on the following principal terms and conditions: (i) the Borrower shall onlend to the Federation and Republika Srpska amounts in Dollars equivalent to the amounts of the Credit allocated respectively to Categories 1(a), 2(a), 3(a), and 4(a) and Categories 1(b), 2(b), 3(b) and 4(b) specified in the table in paragraph 1 of Schedule 1 to this Agreement; (ii) term of the Subsidiary Credit shall be 35 years, including a 10 year grace period; (iii) the Borrower shall charge the Federation and Republika Srpska a commitment fee at a rate equal to the rate of commitment charge payable under Section 2.04 of this Agreement; (iv) the Borrower shall charge the Federation and Republika Srpska interest on principal amount of the Subsidiary Credit withdrawn and outstanding from time to time at a rate equal to the rate payable under Section 2.05 of this Agreement; and (v) the principal amount of the Subsidiary Credit repaid shall be the equivalent in Dollars (determined as of the date or respective dates of repayment) of the value of currency or currencies withdrawn from the Credit Account on account of expenditures for the Project.

2. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Federation and Republika Srpska shall each:

(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 designed to ensure the sustainability of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Federation and Republika Srpska, as the case may be, on said plan.

3. The Federation and Republika Srpska shall each:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, 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, on or about June 30, 1997, a report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) above, on the progress achieved in the carrying out of its respective part 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 July 31, 1997, or such later date as the Association shall request, the report referred to in sub-paragraph (b) above, 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.

4. Implementation of Part A and Part B of the Project shall be in accordance with the implementation schedule, agreed by the Association, in a manner satisfactory to the Association.

5. The Federation and Republika Srpska shall each ensure that all Mine-clearance activities are carried out and all Mines cleared under the Project are promptly destroyed in accordance with safety standards and guidelines of the United Nations.

