

FI no. 24.569 (BA)  
SERAPIS no. 2006-0272

# **Water and Sanitation Federation BiH**

## **Finance Contract**

*between*

**Bosnia and Herzegovina**

*and the*

**Federation of Bosnia and Herzegovina**

*and the*

**European Investment Bank**

Sarajevo, 15 July 2008

Luxembourg, 18 August 2008



**THIS CONTRACT IS MADE BETWEEN:**

**Bosnia and Herzegovina, represented by its Minister Dragan Vrankic, Ministry of Finance and Treasury,**

**(hereinafter also called the "Borrower")**

**of the first part,**

**the Federation of Bosnia and Herzegovina, represented, as the case may be, by its Minister Vjekoslav Bevanda, Federal Ministry of Finance (hereinafter called the "FMOF"), and/or its Minister Damir Ljubic, Federal Ministry of Agriculture, Water Management and Forestry (hereinafter also called the "FMOAWMF"),**

**(hereinafter also called the "Entity")**

**of the second part, and**

**the European Investment Bank having its seat at 100 boulevard Konrad Adenauer, L-2950 Luxembourg, represented by the Associate Director, Mr Manfredi Tonci Ottieri, and by the Senior Loan Officer, Mrs Marion Hoenicke,**

**(hereinafter called the "Bank")**

**of the third part**

*Handwritten initials and signature:*  
D. Vrankic  
M. Bevanda  
a.c.

WHEREAS:

- (1) The Borrower has stated that it desires to undertake a project (hereinafter called the "**Project**") through the FMOAWMF of the Entity concerning investment schemes to be carried out by municipalities and/or cantons located in the territory of the Federation of Bosnia and Herzegovina (hereinafter jointly called the "**Final Beneficiaries**") aimed to improve water service and public health, with a particular focus on reducing waterborne pollution through the collection and treatment of wastewaters that are presently discharged to the environment without treatment, as more particularly described in the technical description (hereinafter called the "**Technical Description**") set out in Schedule A hereto. The operation will contribute to meeting Bosnia and Herzegovina's needs in relation to future compliance with the EU Environmental Legislation, in particular the EU Urban Waste Water Treatment Directive (91/271/EC) and Drinking Water Directive (98/83/EC).
- (2) The total cost of the Project, as estimated by the Bank is EUR 121,300,000 (one hundred and twenty-one million three hundred thousand euros) to be financed as follows:

<b>Source</b>	<b>Amount (M EUR)</b>
Credit from the Bank	60.0
Own funds of the Entity or Final Beneficiaries	36.4
International financial institutions and donors	24.9
<b>TOTAL</b>	<b>121.3</b>

- (3) In order to fulfil the financing plan set out in Recital (2), the Borrower has requested from the Bank a credit of up to EUR 60,000,000 (sixty million euros) for the financing of the Project.
- (4) The financing of the Project under this finance contract (hereinafter called the "**Contract**") is secured by the guarantee agreement entered into on 29 August 2007 by and between the European Community and the Bank pursuant to Article 8 of the Council Decision 2006/1016/EC of 19 December 2006.
- (5) Bosnia and Herzegovina and the Bank concluded on 9 November 2000 a framework agreement governing the Bank's activities in the territory of Bosnia and Herzegovina (hereinafter called the "**Framework Agreement**"). The financing of this Project falls within the scope of the Framework Agreement.
- (6) In response to the Borrower's request, being satisfied that the financing of the Project comes within the scope of its functions, and relying, inter alia, on the statements and facts cited in these Recitals, the Bank is willing to make available to the Borrower a credit of EUR 60,000,000 (sixty million euros) or the equivalent thereof under this Contract.
- (7) The Statute of the Bank provides that the Bank shall ensure that its funds are used as rationally as possible in the interests of the European Community and, accordingly, the terms and conditions of its loan operations must be consistent with relevant European Community policies.
- (8) References herein to "Articles", "Recitals", and "Schedules" are references respectively to articles of, and recitals, and schedules to this Contract.

**NOW THEREFORE** it is hereby agreed as follows:

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**ARTICLE 1**  
**Credit and disbursement**

**1.01 Amount and allocation of Credit**

By this Contract the Bank establishes in favour of the Borrower, and the Borrower accepts, a credit (hereinafter called the "Credit") in an amount up to EUR 60,000,000 (sixty million euros) or the equivalent thereof for the financing of the Project.

**1.02 Disbursement procedure**

**1.02(1) Tranches**

The Bank shall disburse the Credit in up to twenty (20) tranches. The amount of each tranche, if not being the undrawn balance of the Credit, shall be a minimum of EUR 3,000,000 (three million euros) or the equivalent thereof, with the exception of the first tranche where the minimum amount may be of EUR 1,000,000 (one million euros). A tranche requested by the Borrower in accordance with Article 1.02(2) is hereinafter referred to as a "Tranche".

**1.02(2) Disbursement Request**

From time to time up to 30 June 2012, the Borrower may present to the Bank a written request (a "Disbursement Request"), substantially in the form set out in Schedule C, for the disbursement of a Tranche. The Disbursement Request must reach the Bank at least fifteen (15) calendar days prior to the preferred date for disbursement. Save where the evidence has been already supplied, the Disbursement Request shall be accompanied by evidence of the authority of the signatory or signatories, together with their authenticated specimen signatures. The Disbursement Request shall specify:

- (i) the amount and the currency of the Tranche;
- (ii) the preferred date for disbursement, which shall be a Relevant Business Day (as defined in Article 5.01), it being understood that the Bank may disburse the Tranche up to four (4) calendar months from the date of the Disbursement Request;
- (iii) whether the Tranche bears a fixed rate of interest (i.e. it is a "Fixed-Rate Tranche") or a floating rate of interest at a fixed spread (i.e. a "Fixed-Spread Floating-Rate Tranche" or "FSFR Tranche"), both pursuant to the relevant provisions of Article 3.01;
- (iv) the preferred interest payment periodicity for the Tranche, chosen in accordance with Article 3.01;
- (v) the preferred terms for repayment of principal, chosen in accordance with Article 4.01;
- (vi) the preferred Payment Dates, chosen in accordance with Article 5.01; and
- (vii) in the case of an FSFR Tranche, the Borrower's choice of Interest Conversion Date (as defined in Schedule E), if any.

The Borrower may also at its discretion specify in the Disbursement Request the following respective elements, if any, as previously indicated by the Bank to be applicable to the Tranche during its lifetime, that is to say:

- (i) in the case of a Fixed-Rate Tranche, the interest rate; and
- (ii) in the case of an FSFR Tranche, the Spread (as defined in Article 3.01) that applies up to the Maturity Date (as defined in Article 4.01C) or the Interest Conversion Date, if any.

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For the purposes of this Contract generally, "**Relevant Interbank Rate**" means:

- EURIBOR in the case of a Tranche denominated in EUR;
- LIBOR in the case of a Tranche denominated in GBP or USD and
- the market rate and its definition chosen by the Bank and separately communicated to the Borrower, in the case of a Tranche denominated in any other currency.

Subject to the second last paragraph of Article 1.02(3), each Disbursement Request is irrevocable.

#### 1.02(3) **Disbursement Notice**

At least ten (10) calendar days before the date of disbursement of a Tranche the Bank shall, if the Disbursement Request conforms to Article 1.02(2), deliver to the Borrower a notice (hereinafter a "**Disbursement Notice**"), which shall specify:

- (i) the amount and the currency of disbursement;
- (ii) the date on which the Tranche is scheduled to be disbursed (hereinafter referred to as the "**Scheduled Disbursement Date**"), disbursement being in any case subject to the conditions of Article 1.04;
- (iii) the interest rate basis;
- (iv) for a Fixed-Rate Tranche the fixed interest rate, and for an FSFR Tranche the Spread that applies up to the Maturity Date (as defined in Article 4.01C) or the Interest Conversion Date, if any;
- (v) in the case of an FSFR Tranche, the Interest Conversion Date, if any
- (vi) the terms for repayment of principal and the periodicity of the payment of interest; and
- (vii) the applicable Payment Dates.

If one or more of the elements specified in the Disbursement Notice does not conform to the corresponding element, if any, in the Disbursement Request, the Borrower may within three (3) Luxembourg Business Days following receipt of the Disbursement Notice revoke the Disbursement Request by notice to the Bank and thereupon the Disbursement Request and the Disbursement Notice shall be of no effect.

For the purposes of this Contract generally "**Luxembourg Business Day**" means a day on which commercial banks are open for business in Luxembourg.

#### 1.03 **Currency and account of disbursement**

##### 1.03(1) **Currency of disbursement**

Subject to availability, the Bank shall disburse each Tranche in the currency for which the Borrower has expressed a preference. Each currency of disbursement shall be the EUR, USD or GBP or any other currency that is widely traded on the principal foreign exchange markets and which, in the case of a FSFR Tranche, is a currency that is available to the Bank at variable rates of interest.

For the calculation of the sums available to be disbursed in currencies other than EUR, and to determine their equivalent in EUR, the Bank shall apply the rate published by the European Central Bank in Frankfurt, on such date within fifteen (15) days preceding disbursement as the Bank shall decide.

*E. J. M.  
4 a.c.*

### 1.03(2) Account of disbursement

The amount of each Tranche shall be disbursed by the Bank on behalf and for account of the Borrower by transfer to a special account opened in the name of the Ministry of Finance of the Borrower (bearing an IBAN code and Swift BIC) which is to be communicated to the Bank in writing in the first Disbursement Request.

The Borrower recognises that each transfer of an amount by the Bank in the manner set out above shall increase the outstanding balance of the Loan (as defined below) by the amount so transferred.

### 1.04 Conditions of disbursement

#### 1.04(1) First Tranche

The disbursement of the first Tranche under this Contract shall be subject to the Bank having received by the Borrower or the Entity, as the case may be, on or before the date falling seven (7) Luxembourg Business Days preceding the Scheduled Disbursement Date the following documents or evidence in form and substance satisfactory to it:

- (i) a legal opinion issued by the Ministry of Justice of the Borrower, confirming that
  - the signatories of this Contract are duly empowered to sign this Contract on behalf of the Borrower by a decision of the Presidency of the Borrower;
  - the execution of this Contract is duly ratified by a decision of the Presidency of the Borrower;
  - the financing of the Project under this Contract falls within the scope of the Framework Agreement;
  - the provisions of this Contract are valid, binding and enforceable in accordance with its terms;
  - no exchange control restrictions are in place or consents are required in order to permit the receipt of all amounts to be disbursed hereunder on the special account mentioned in Article 1.03(2) and to permit the repayment of the Loan and the payment of interest and all other amounts due under this Contract;
- (ii) a legal opinion issued by the Ministry of Justice of the Entity confirming that
  - the signatories of this Contract are duly empowered to sign this Contract on behalf of the Entity;
  - the provisions of this Contract are valid, binding and enforceable in accordance with its terms;
- (iii) evidence that the Entity has established within the FMOAWMF a Project management unit or an organisation with equivalent function ("PMU") with suitable staff and appropriate terms of references to the satisfaction of the Bank;
- (iv) evidence that the FMOAWMF of the Entity has confirmed the scope of the Project;
- (v) evidence that the FMOAWMF of the Entity has issued a general procurement notice announcing the programme of works, goods and services for the Project to be published in the Official Journal of the European Communities; and
- (vi) document of the FMOF of the Entity satisfactory to the Bank outlining the policies, including those of cost recovery, affordability and operational sustainability that shall be applied for preparation of on-lending agreements for the transfer of the proceeds of the Loan from the FMOF of the Entity to the Final Beneficiaries.

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**1.04(2) All Tranches**

Furthermore, the disbursement of each Tranche under Article 1.02(2), including the first, shall be subject to the Bank having received by the Borrower or the Entity, as the case may be, on or before the date falling seven (7) Luxembourg Business Days preceding the relevant Scheduled Disbursement Date the following documents or evidence in form and substance satisfactory to it:

- (i) for schemes of the Project for which the competent authority requires an environmental impact assessment ("EIA"), the non-technical summary, the environmental impact study, the evidence of the public consultation and a copy of the relevant part of the final development permit demonstrating the incorporation of EIA and the public consultation;
- (ii) for schemes of the Project for which the competent authority does not require an EIA, the copy of the relevant decision of the competent authority and evidence of public disclosure of the said decision;
- (iii) for schemes of the Project which have or may have significant impact on areas of nature conservation, the corresponding representation of the FMOAWMF of the Entity and an appropriate assessment pursuant to the principles and practices similar to those outlined in Article 6 of the Habitat Directive 92/43/EEC in the form outlined in Schedule G;
- (iv) for schemes of the Project which have not significant impact on areas of nature conservation, the corresponding representation of the FMOAWMF of the Entity in the form outlined in Schedule F;
- (v) for each scheme of the Project against which disbursement is requested, the up to date description of the schemes of the Project approved by the Bank and outlined by the FMOAWMF of the Entity in fiches based on a Bank's template;
- (vi) for each scheme against which disbursement is requested, the relevant signed on-lending agreement(s), as approved by the Bank according to Article 6,01, signed by the FMOF of the Entity;
- (vii) recent certificate from the Borrower in the form of Schedule D;
- (viii) save for the last Tranche, evidence that it may reasonably be expected that the Borrower will have incurred, by the 90th day falling after the date of disbursement, expenditures on items specified in the Technical Description (hereinafter being referred to as "Qualifying Expenditure") in an amount at least equal to the aggregate of 85% of the amount of the Tranche to be disbursed and 100% of the amounts of all previously disbursed Tranches, if any;

provided that, for the purpose of calculating the equivalent in euro of any sum spent in another currency, the Bank shall apply the reference exchange rate computed and published for that currency by the European Central Bank on such date falling within fifteen (15) days before the date of disbursement as the Bank shall decide (or, failing such a rate, the relevant exchange rate or rates then prevailing on any financial market reasonably chosen by the Bank).

**1.04(3) Last Tranche**

The disbursement of last Tranche under Article 1.02 (2), shall be subject to the Bank having received, on or before the date falling seven (7) Luxembourg Business Days preceding the relevant Scheduled Disbursement Date, documents demonstrating to the satisfaction of the Bank that it may reasonably be expected that the Borrower will have incurred, by the 90th day falling after the date of disbursement, Qualifying Expenditure in an amount at least equal to the aggregate of 100% of the amounts of all previously disbursed Tranches and of the Tranche to be disbursed.

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**1.04(4) General provisions on the conditions of disbursement**

In case any part of the documents received pursuant to Article 1.04 is not satisfactory to the Bank, the Bank may disburse, without prejudice to the minimum amount set out in Article 1.02(1), an amount equal to the amount being the subject of the relevant Disbursement Request less the amount corresponding to the undocumented and forecasted Qualifying Expenditures.

**1.05 Deferment of disbursement**

**1.05(1) Grounds for deferment**

The Bank shall, upon a written request of the Borrower, defer disbursement of any Tranche in whole or in part to a date specified by the Borrower being a date falling not more than six (6) months from its Scheduled Disbursement Date. In such a case, the Borrower shall pay deferment indemnity as determined pursuant to Article 1.05(2) below. Any request for deferment shall have effect in respect of a Tranche only if it is made at least seven (7) Luxembourg Business Days before its Scheduled Disbursement Date.

If any of the conditions referred to in Article 1.04 is not fulfilled as of the specified date, and at the Scheduled Disbursement Date, disbursement will be deferred to a date agreed between the Bank and the Borrower falling not less than seven (7) Luxembourg Business Days following the fulfilment of all conditions of disbursement to the satisfaction of the Bank.

**1.05(2) Deferment indemnity**

If the disbursement of any Notified Tranche (as defined below in this Article 1.05(2)) is deferred, whether on request of the Borrower as set out in Article 1.05(1) or by reason of non-fulfilment of the conditions of disbursement, the Borrower shall, upon demand by the Bank, pay an indemnity on the amount of which disbursement is deferred. Such indemnity shall accrue from the Scheduled Disbursement Date to the actual disbursement date or, as the case may be, until the date of cancellation of the Tranche at a rate equal to  $R_1$  minus  $R_2$ , where:

" $R_1$ " means the rate of interest that would have applied from time to time pursuant to Article 3.01 and the relevant Disbursement Notice, if the Tranche had been disbursed on the Scheduled Disbursement Date

and

" $R_2$ " means the Relevant Interbank Rate less 0.125% (12.5 basis points); provided that for the purpose of determining the Relevant Interbank Rate in relation to this Article 1.05, the relevant periods provided for in Schedule B shall be successive periods of one (1) month commencing on the Scheduled Disbursement Date.

Furthermore, the indemnity:

- (a) if the deferment exceeds one (1) month in duration, shall accrue at the end of every month;
- (b) shall be calculated using the day count convention applicable to  $R_1$ ;
- (c) where  $R_2$  exceeds  $R_1$ , shall be set at zero; and
- (d) shall be payable in accordance with Article 1.07.

In this Contract a "**Notified Tranche**" means a Tranche in respect of which the Bank has issued a Disbursement Notice.

**1.05(3) Cancellation of disbursement deferred by six months**

The Bank may, by notice to the Borrower, cancel a disbursement which has been deferred under Article 1.05(1) by more than six (6) months in aggregate. The cancelled amount shall remain available for disbursement under Article 1.02.

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## **1.06 Cancellation and suspension**

### **1.06(1) Borrower's right to cancel**

The Borrower may at any time by notice given to the Bank cancel, in whole or in part and with immediate effect, the undisbursed portion of the Credit. However, the notice shall have no effect on a Notified Tranche whose Scheduled Disbursement Date falls within seven (7) Luxembourg Business Days following the date of the notice.

### **1.06(2) Bank's right to suspend and cancel**

The Bank may, by notice to the Borrower, in whole or in part suspend and/or cancel the undisbursed portion of the Credit at any time, and with immediate effect:

- (i) -- upon an event mentioned in Article 10.01; or
- (ii) in exceptional circumstances adversely affecting the Bank's access to the capital market, save as regards a Notified Tranche; or
- (iii) if, acting reasonably, it is not satisfied that the warranties and undertakings given by the Borrower in Articles 6 and 8.04 have been complied with.

Furthermore, to the extent that the Bank may cancel the Credit in accordance with Article 4.03(1), the Bank may also suspend it. Any suspension shall continue until the Bank ends the suspension or cancels the suspended amount.

### **1.06(3) Indemnity for suspension and cancellation of a Tranche**

#### **1.06(3)(i) SUSPENSION**

If the Bank suspends a Notified Tranche upon an event mentioned in Article 10.01, the Borrower shall indemnify the Bank under Article 1.05(2).

#### **1.06(3)(ii) CANCELLATION**

If a Fixed Rate Notified Tranche is cancelled by the Borrower pursuant to Article 1.06(1) above, the Borrower shall indemnify the Bank under Article 4.02(2)(i). If any part of the Credit other than a Fixed Rate Notified Tranche is cancelled by the Borrower pursuant to Article 1.06(1) above, no indemnity is payable.

If the Bank cancels a Fixed Rate Notified Tranche disbursement pursuant to Article 1.05(3), the Borrower shall indemnify the Bank under Article 4.02(2)(i). If the Bank cancels a Notified Tranche upon an event mentioned in Article 10.01, the Borrower shall indemnify the Bank under Article 10.03. Save in these cases, no indemnity is payable upon cancellation by the Bank.

An indemnity shall be calculated on the basis that the cancelled amount is deemed to have been disbursed and repaid on the Scheduled Disbursement Date or, to the extent that the disbursement of the Tranche is currently deferred or suspended, on the date of the cancellation notice.

### **1.06(4) Cancellation after expiry of Credit**

At any time after the deadline for the Borrower to submit a Disbursement Request under Article 1.02(2), the Bank may by notice to the Borrower, and without liability arising on the part of either party, cancel any part of the Credit other than a Notified Tranche.

## **1.07 Sums due under Article 1**

Sums due under Articles 1.05 and 1.06 shall be payable in the currency of the Tranche concerned. They shall be payable within seven (7) calendar days of the Borrower's receipt of the Bank's demand or within any longer period specified in the Bank's notice of demand.

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**ARTICLE 2**  
**The Loan**

**2.01 Amount of Loan**

The loan made under the Credit (hereinafter the "Loan") shall comprise the aggregate of the amounts disbursed by the Bank, as notified by the Bank upon the occasion of the disbursement of each Tranche.

**2.02 Currency of repayments**

Each repayment of a Tranche under Article 4 or, as the case may be, Article 10 shall be in the currency of the Tranche.

**2.03 Currency of interest and other charges**

Interest and any other applicable charges payable by the Borrower under Articles 3, 4 and, where applicable, 10 shall be calculated and be payable in respect of each Tranche in the currency of the Tranche.

Any other payment shall be made in the currency specified by the Bank having regard to the currency of the expenditure to be reimbursed by means of that payment.

**2.04 Confirmation by the Bank**

After each disbursement of a Tranche, the Bank shall deliver to the Borrower a summary statement showing the disbursement date, currency and amount, repayment terms and the interest rate of and for that Tranche. Such confirmation shall include an amortisation table.

**ARTICLE 3**  
**Interest**

**3.01 Rate of interest**

**3.01(1) Fixed-Rate Tranches**

The Borrower shall pay interest on the outstanding balance of each Fixed-Rate Tranche semi-annually or annually in arrears on the relevant Payment Dates as specified in the relevant Disbursement Notice, commencing on the first such Payment Date following the date of disbursement of the Tranche.

Interest shall be calculated on the basis of Article 5.02(i) at the Fixed Rate. In this Contract, "Fixed Rate" means an annual interest rate determined by the Bank in accordance with the applicable principles from time to time laid down by the governing bodies of the Bank for loans made at a fixed rate of interest, denominated in the currency of the Tranche and bearing equivalent terms for the repayment of capital and the payment of interest.

**3.01(2) Fixed-Spread-Floating-Rate Tranches**

The Borrower shall pay interest on the outstanding balance of each FSFR Tranche at FSFR (as defined below) semi-annually or annually in arrears on the relevant Payment Dates as specified in the relevant Disbursement Notice, commencing on the first such Payment Date following the date of disbursement of the Tranche.

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The Bank shall notify FSFR to the Borrower within ten (10) days following the commencement of each FSFR Reference Period.

Interest shall be calculated in respect of each FSFR Reference Period on the basis of Article 5.02(ii).

In this Contract:

**"FSFR"** means a fixed-spread floating interest rate, that is to say an annual interest rate equal to the Relevant Interbank Rate plus or minus the Spread, determined by the Bank for each successive FSFR Reference Period.

**"FSFR Reference Period"** means each period from one Payment Date to the next relevant Payment Date, provided that the first FSFR Reference Period shall commence on the date of disbursement of the Tranche.

**"Spread"** means such fixed spread to the Relevant Interbank Rate (being either plus or minus) determined by the Bank and notified to the Borrower in the relevant Disbursement Notice.

**3.02 Interest on overdue sums**

Without prejudice to Article 10 and by way of exception to Article 3.01, interest shall accrue on any overdue sum payable under the terms of this Contract from the due date to the date of payment at an annual rate equal to the Relevant Interbank Rate plus 2% (200 basis points) and shall be payable in accordance with the demand of the Bank. For the purpose of determining the Relevant Interbank Rate in relation to this Article 3.02, the relevant periods within the meaning of Schedule B shall be successive periods of one (1) month commencing on the due date.

However, interest shall be charged at the annual rate that is the sum of the interest rate determined pursuant to Article 3.01 plus 0.25% (25 basis points) if that annual rate exceeds, for any given relevant period, the rate specified in the preceding paragraph.

If the overdue sum is in a currency other than the currency of the Tranche, the following rate per annum shall apply, namely the Relevant Interbank Rate which is generally retained by the Bank for transactions in that currency plus 2% (200 basis points), calculated in accordance with the market practice for such rate.

**ARTICLE 4  
Repayment**

**4.01 Normal repayment**

The Borrower shall repay each Tranche by instalments on the Payment Dates specified in the relevant Disbursement Notice in accordance with the terms of the amortisation table delivered pursuant to Article 2.04.

Each amortisation table shall be drawn up on the basis that:

- (i) repayment of a Tranche shall be made:
  - (a) in the case of a Fixed-Rate Tranche semi-annually or annually either (i) by equal instalments of principal or (ii) on a constant annuity basis, so that the aggregate of principal and interest payable in respect of the Tranche shall be nearly as possible the same on each repayment date; and
  - (b) in the case of a FSFR Tranche, semi-annually or annually by equal instalments of principal; and

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- (ii) the first repayment date of each Tranche shall be a Payment Date falling not later than the first Payment Date immediately following the sixth anniversary of the Scheduled Disbursement Date of the Tranche and the last repayment date shall be a Payment Date falling not earlier than four (4) years and not later than twenty five (25) years from the Scheduled Disbursement Date.

The last repayment date of a Tranche specified pursuant to this Article 4.01 is hereinafter referred to as the **Maturity Date**.

#### **4.02 Voluntary prepayment**

##### **4.02(1) Prepayment option**

Subject to Articles 4.02(2) and 4.03(3), the Borrower may prepay all or part of any Tranche, together with accrued interest thereon, upon giving one (1) month's prior written notice (hereinafter a "**Prepayment Notice**") specifying the amount thereof to be prepaid (the "**Prepayment Amount**") and the date on which the Borrower proposes to effect prepayment (the "**Prepayment Date**"), which date shall be a Payment Date for that Tranche.

##### **4.02(2) Prepayment indemnity**

###### **4.02(2)(i) FIXED-RATE TRANCHE**

In respect of each Prepayment Amount of a Fixed-Rate Tranche, the Borrower shall pay to the Bank on the Prepayment Date an indemnity equal to the present value (as of the Prepayment Date) of the excess, if any, of:

- (i) the interest that would accrue thereafter on the Prepayment Amount over the period from the Prepayment Date to the Maturity Date, if it were not prepaid; over
- (ii) the interest that so would accrue over that period, if it were calculated at the EIB Redeployment Rate (as defined below), less 15 basis points.

The said present value shall be calculated at a discount rate equal to the EIB Redeployment Rate, applied as of each relevant Payment Date.

In this Contract, "**EIB Redeployment Rate**" means the Fixed Rate in effect on the day of the indemnity calculation by the Bank and having the same terms for the payment of interest and the same repayment profile to Maturity Date as the Prepayment Amount.

###### **4.02(2)(ii) FSFR TRANCHE**

The Borrower may prepay a FSFR Tranche without indemnity on any relevant Payment Date.

##### **4.02(3) Prepayment mechanics**

The Bank shall notify the Borrower, not later than fifteen (15) days prior to the Prepayment Date, of the Prepayment Amount, of the accrued interest due thereon, and, in case of prepayment of a Fixed-Rate Tranche, of the indemnity payable under Article 4.02(2)(i) or, as the case may be, that no indemnity is due.

Not later than the Acceptance Deadline (as defined below), the Borrower shall notify the Bank either:

- (i) that it confirms the Prepayment Notice on the terms specified by the Bank; or
- (ii) that it withdraws the Prepayment Notice.

If the Borrower gives the confirmation under (i), it shall effect the prepayment. If the Borrower withdraws the Prepayment Notice or fails to confirm it in due time, it may not effect the prepayment. Save as aforesaid, the Prepayment Notice shall be binding and irrevocable.

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The Borrower shall accompany the prepayment by the payment of accrued interest and indemnity, if any, due on the Prepayment Amount.

For the purpose of this Article 4.02, the "Acceptance Deadline" for a notice is:

- (i) 16h00 Luxembourg time on the day of delivery, if the notice is delivered by 14h00 on a Luxembourg Business Day; or
- (ii) 11h00 on the next following day which is a Luxembourg Business Day, if the notice is delivered after 14h00 Luxembourg time on any such day or is delivered on a day which is not a Luxembourg Business Day.

#### **4.03 Compulsory prepayment**

##### **4.03(1) Grounds for prepayment**

###### **4.03(1)(i) PROJECT COST REDUCTION**

In the event that the total cost of the Project should be reduced from the figure stated in the Recital (2) to a level at which the amount of the Credit exceeds the 50% of such total cost, the Bank may, if and to the extent it cannot restore such maximum percentage by cancelling a proportional amount of the Credit, demand prepayment of such part of the Loan as is required to restore such maximum percentage, by notice to the Borrower.

###### **4.03(1)(ii) PARI PASSU TO REPAYMENT OF ANOTHER TERM LOAN**

If the Borrower voluntarily prepays a part or the whole of any other loan, or any other financial indebtedness or credit, with a remaining tenor, at the time of the prepayment, of more than five years (hereinafter a "Term Loan") otherwise than out of the proceeds of the loan having a term at least equal to the unexpired term of the loan prepaid, the Bank may, by notice to the Borrower, cancel the Credit or demand prepayment of the Loan in such proportion as the repaid amount of the Term Loan bears to the aggregate outstanding amount of all Term Loans.

The Bank shall address its notice to the Borrower within thirty (30) days of receipt of notice under Article 8.02 (ii).

##### **4.03(2) Prepayment mechanics**

Any sum demanded by the Bank pursuant to Article 4.03 (1), together with any interest accrued and any indemnity due under Article 4.03(3), shall be paid on the date indicated by the Bank, which date shall fall not less than thirty (30) days from the date of the Bank's notice of demand.

If, moreover, the Borrower prepays a Tranche on a date other than a relevant Payment Date, the Borrower shall indemnify the Bank in such amount as the Bank shall certify is required to compensate it for receipt of funds otherwise than on a relevant Payment Date.

##### **4.03(3) Application of partial prepayments**

If the Borrower partially prepays a Tranche, the Prepayment Amount shall be applied pro rata or, at its option, by inverse order of maturity to each outstanding instalment.

If the Bank demands a partial prepayment of the Loan, the Borrower, in complying with the demand, may, by notice to the Bank, delivered within five (5) Luxembourg Business Days of its receipt of the Bank's demand, choose the Tranches to be prepaid and exercise its option for application of the prepaid sums.

This Article 4 shall not prejudice Article 10.

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## **ARTICLE 5**

### **Payments**

#### **5.01 Payment Date definition**

In this Contract "**Payment Date**" means

- (i) for a Fixed-Rate Tranche the annual or semi-annual dates in each year specified in the Disbursement Notice in each year; and
- (ii) for an FSFR Tranche, the dates falling at semi-annual or annual intervals specified in the Disbursement Notice

until the Maturity Date, save that, in case any such date is not a Relevant Business Day, it means:

- (i) for a Fixed-Rate Tranche the following Relevant Business Day, without adjustment to the interest due under Article 3.01;
- (ii) for an FSFR Tranche, the next day, if any, of that calendar month that is a Relevant Business Day or, failing that, the nearest preceding day that is a Relevant Business Day, with corresponding adjustment to the interest due under Article 3.01; and

"**Relevant Business Day**" means for EUR, a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET) payment system operates and for any other currency, a day on which banks are open for normal business in the principal domestic financial centre of the currency concerned.

#### **5.02 Day count convention**

Any amount due by way of interest, indemnity or fee from the Borrower under this Contract, and calculated in respect of a fraction of a year, shall be determined on the following respective conventions:

- (i) for a Fixed-Rate Tranche a year of 360 days and a month of 30 days; and
- (ii) for a FSFR Tranche, a year of 360 days (but 365 days (invariable) for GBP) and the number of days elapsed.

#### **5.03 Time and place of payment**

Any sums other than of interest, indemnity and principal are payable within seven (7) days of the Borrower's receipt of the Bank's demand.

Each sum payable by the Borrower under this Contract shall be paid to the respective account notified by the Bank to the Borrower. The Bank shall indicate the account not less than fifteen (15) days before the due date for the first payment by the Borrower and shall notify any change of account not less than fifteen (15) days before the date of the first payment to which the change applies. This period of notice does not apply in the case of payment under Article 10.

A sum due from the Borrower shall be deemed paid when the Bank receives it.

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**ARTICLE 6**  
**Undertakings**

**6.01 Use of Loan and available other funds**

The FMOAWMF of the Entity shall and shall cause the Final Beneficiaries to use all amounts disbursed by the Bank under this Contract exclusively for the part-financing of the Project.

The Borrower, the FMOAWMF and the FMOF of the Entity shall ensure that the other funds listed in Recital (2) are available and that such funds are expended, to the extent required, on the financing of the Project.

The Borrower shall transfer the proceeds of the Loan to the FMOF of the Entity which shall in turn on-lend and/or transfer, as the case may be, the same proceeds to the Final Beneficiaries and/or to the FMOAWMF of the Entity, as the case may be, under the same terms and conditions of this Contract.

The FMOF of the Entity shall submit to the Bank for its non-objection the on-lending agreements between the FMOF of the Entity and the Final Beneficiaries prior to their signatures.

**6.02 Implementation and completion of the Project**

The FMOAWMF of the Entity shall and shall cause the Final Beneficiaries to carry out the Project in accordance with the Technical Description as may be modified from time to time with the approval of the Bank, and complete it by the final date specified therein.

The FMOF of the Entity shall and shall cause the Final Beneficiaries to ensure adequate resources and staffing for the purpose of the implementation of the schemes of the Project.

**6.03 Increased cost of Project**

If the total cost of the Project exceeds the estimated figure set out in Recital (2), the Borrower shall obtain finance to fund the excess cost without recourse to the Bank, so as to enable the completion of the Project in accordance with the Technical Description. The Borrower's plans for funding the excess cost shall be submitted in a timely manner to the Bank for approval.

**6.04 Procurement procedure**

The FMOAWMF of the Entity shall and shall cause the Final Beneficiaries to purchase equipment, secure services and order works for the Project by open international tender or other acceptable procurement procedure complying, to the Bank's satisfaction, with its policy as described in its Procurement Guide in force at the date of signature of this Contract.

The FMOAWMF of the Entity shall provide to the Bank certified true copies of a contract or contracts requiring publication in the OJEU in respect of items specified in the Technical Description as eligible for financing under the Credit, which contract or contracts shall have been executed on terms satisfactory to the Bank having regard to the Bank's Procurement Guide in force at the date of signature of this Contract.

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## 6.05 Continuing Project Undertakings

So long as the Loan is outstanding

1. **Maintenance:** the FMOAWMF of the Entity shall cause the Final Beneficiaries to maintain, repair, overhaul and renew all works and property forming part of the Project as required to keep it in good working order and secure adequate funds for the said purposes

In case of schemes of the Project generating significant additional operation and maintenance costs, including schemes comprising waste water treatment plants, the FMOF of the Entity shall include terms in the on-lending agreements between the FMOF of the Entity and the Final Beneficiaries aimed at ensuring operational sustainability and an appropriate level of cost recovery on the basis of financial models and affordability considerations.

The FMOF of the Entity shall provide guidance and support to Final Beneficiaries for the establishment of financial models to determine appropriate levels of cost recovery as well as calculating and justifying appropriate tariffs.

2. **Project assets:** unless the Bank shall have given its prior consent in writing, the FMOF of the Entity shall cause the Final Beneficiaries to retain title to and possession of all or substantially all the assets comprising the Project or, as appropriate, replace and renew such assets and maintain the Project in substantially continuous operation in accordance with its original purpose; provided that the Bank may withhold its consent only where the proposed action would prejudice the Bank's interests as lender to the Borrower or would render the Project ineligible for financing by the Bank under the Statute or under Article 267 of the Treaty of Rome; and
3. **Insurance:** the FMOF of the Entity shall cause the Final Beneficiaries to insure all works and property forming part of the Project to the satisfaction of the Bank in accordance with normal practice for similar works of public interest in Bosnia and Herzegovina;
4. **Rights and permits:** the FMOAWMF of the Entity shall cause the Final Beneficiaries to maintain in force all rights of way or use and all permits necessary for the execution and operation of the Project; and
5. **Environment:**

*the FMOAWMF of the Entity shall cause the Final Beneficiaries to: (a) implement and operate the Project in conformity with the laws of the European Union, as well as any applicable international treaties, whose principal object is the preservation, protection or improvement of the Environment, to the extent implemented by the law of Bosnia and Herzegovina or specified by the Bank prior to the date of this Contract; for which purpose "Environment" means the following, in so far as they affect human well-being: (a) fauna and flora; (b) soil, water, air, climate and landscape; and (c) cultural heritage and the built environment.*

The FMOAWMF of the Entity shall submit to the Bank the non-technical summaries of the EIAs as well as the associated environmental impact studies as soon as they are available.

(b) obtain and maintain all approvals by, and authorisations from, the competent environmental authorities of the Borrower required for the purpose of indent (a);

(c) ensure that the Project does not have any significant effect on any site of nature conservation importance;

(d) ensure that no materials or substances which could have adverse effects on the environment is used or disposed of in the construction, operation and maintenance of the Project; and

(e) carry out all maintenance and rehabilitation works on the Project which may be required by the competent environmental authorities.

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6. **General law:** the FMOAWMF of the Entity shall cause the Final Beneficiaries to implement and operate the Project in accordance with the applicable principles of EU law in those fields of law not otherwise covered by the terms of this Article 6.05, in so far as those principles are implemented in the law or practice of Bosnia and Herzegovina.
7. **Other:** The FMOAWMF of the Entity shall initiate develop and maintain a database for project costs in the water sector as well as performance indicators and operation and maintenance costs of the Final Beneficiaries.

The FMOAWMF of the Entity shall submit to the Bank a regular update of cash-flow projections for municipal service providers along with an annual submission of a list of performance indicators for each Final Beneficiary to be agreed with the Bank.

In case of schemes of the Project including significant extension of waste water networks without construction of wastewater treatment facilities, and subject to the outcome of a review of environmental impact of such schemes by the Bank, the FMOAWMF of the Entity shall cause the Final Beneficiaries to commit to installation of wastewater treatment facilities in a subsequent phase.

The FMOAWMF of the Entity shall keep the Bank informed of all the relevant aspects concerning the water and wastewater sector in the territory of the Entity, such as sector organization, institutional capacity building, investment planning and funding.

The FMOAWMF of the Entity shall submit to the Bank two years after the entry into force of the Water Law passed in 2006 by the Entity a report on the ministerial and cantonal implementation of the said Water Law of relevance to the Project.

The FMOAWMF of the Entity shall submit to the Bank the draft and final version of the Water Management Strategy as specified in the said Water Law.

#### **6.06 Project management unit**

The FMOAWMF of the Entity shall maintain the PMU within its organisation and to ensure that it is adequately staffed.

#### **6.07 Legitimacy of funds used for the Project**

The Borrower and the FMOF of the Entity declare that, to the best of their knowledge and belief, no fund specified in the Recitals is of illicit origin. They furthermore undertake promptly to inform the Bank, if it should at any time be informed of an illicit origin of any such fund.

The Borrower and the FMOF of the Entity note the policy of the Bank to pass information on its clients' transactions to the competent authorities in circumstances where EU law would require regulated financial institutions to do so.

#### **6.08 Integrity Commitment**

The Borrower warrants and undertakes that it has not committed, and no person to its present knowledge has committed, any of the following acts and that it will not commit, and no person, with its consent or prior knowledge, will commit any such act, that is to say:

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- (i) the offering, giving, receiving or soliciting of any improper advantage to influence the action of any person holding a public office or function or a director or employee of a public authority or public enterprise or a director or official of a public international organisation in connection with any procurement process or in the execution of any contract in connection with those elements of the Project; or
- (ii) any act which improperly influences or aims improperly to influence the procurement process or the implementation of the Project to the detriment of the Borrower, including collusion between tenderers.

For this purpose, the knowledge of any Minister of the Borrower, any State Secretary of the Borrower, any Assistant Minister of the Borrower, any Advisor to a Minister of the Borrower, the manager or any staff member of the PMU shall be deemed the knowledge of the Borrower. The Borrower undertakes to inform the Bank if it should become aware of any fact or information suggestive of the commission of any such act.

#### **ARTICLE 7 Pari Passu**

If the Borrower should hereinafter grant to any third party security for the performance of any of its external debt obligations or any preference or priority in respect thereof, the Borrower shall so inform the Bank and shall, if so required by the Bank, provide to the Bank equivalent security for the performance of its obligations hereunder or grant to the Bank equivalent preference or priority. The Borrower represents that no such security, preference or priority presently exists.

Nothing in the above section shall apply (i) to any vendor's lien or other encumbrance on land or other assets, where such encumbrance secures only the purchase price or any credit, having a term of not more than twelve (12) months, obtained to finance it or (ii) to any pledge over stocks created to secure any short-term credit.

#### **ARTICLE 8 Information and Visits**

##### **8.01 Information concerning the Project**

The FMOAWMF of the Entity and/or the Borrower, as the case may be, shall:

- (i) deliver to the Bank (a) the information in content and in form, and at the times, specified in the Schedule A.2 or otherwise as agreed from time to time by the parties to this Contract, and (b) any such information or further document concerning the financing, procurement, implementation, operation and environmental impact of or for the Project as the Bank may reasonably require, provided always that, if such information or document is not delivered to the Bank on time, and the Borrower does not rectify the omission within a reasonable period of time set by the Bank in writing, the Bank may remedy the deficiency, to the extent feasible, by employing its own staff or a consultant or any other third party at the Borrower's expenses and the Borrower shall provide such persons with all assistance necessary for the purpose;

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- (ii) retain, in a single location, for inspection during six years from the conclusion of each contract financed by means of the Loan, the full terms of the contract itself, as well as all material documents pertaining to the procurement process and to the execution of the contract and procure that the Bank may inspect the contractual documents that the contractor is obliged to retain under its supply contract;
- (iii) submit for the approval of the Bank without delay any material change to the price, design, plans, timetable or expenditure programme for the the Project in relation to the disclosures made to the Bank prior to the signing of this Contract;
- (iv) provide to the Bank annually, if so requested, a list of policies in force covering the insured property forming part of the Project, together with confirmation of payment of the current premiums;
- (v) inform the Bank of any intention on the part of the Final Beneficiaries to relinquish ownership of any significant part of the Project; and
- (vi) promptly inform the Bank of (a) any material litigation that is commenced or threatened against it with regard to environmental or other matters affecting the Project; or (b) any fact or event known to the Borrower, which may substantially prejudice or affect the conditions of execution or operation of the Project.

**8.02 Information concerning the Borrower**

The Borrower shall inform the Bank:

- (i) immediately, of any fact obliging it and any demand made to it either to prepay by reason of default, in whole or in part, any loan made to it by a third party or to discharge by such reason ahead of maturity any indebtedness arising out of a financial transaction or any part thereof;
- (ii) any decision made by it to make a prepayment of a Term Loan;
- (iii) immediately of any intention on its part to create any security interest over any of its assets in favour of a third party; and
- (iv) generally of any fact or event which might prevent the fulfilment of any obligation of the Borrower under this Contract.

**8.03 Visits by Bank and documents**

So long as the Loan is outstanding, the Borrower and the FMOAWMF of the Entity shall ensure that persons designated by the Bank, who may be accompanied by representatives of the European Court of Auditors of the European Communities or any competent Community body or institution, will be permitted to visit the sites, installations and works comprising the Project and to conduct such checks as they may wish. For this purpose the Borrower and the Entity shall provide these persons and representatives, or ensure that they are provided, with all necessary assistance.

The Borrower and the Entity acknowledge that the Bank may be obliged to divulge such documents relating to the Borrower and the Project to any competent Community body or institution as are necessary for the performance of its task in accordance with the law of the European Community.

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#### **8.04 Investigations and information**

The Borrower undertakes:

- (i) to take such action as the Bank shall reasonably request to investigate and/or terminate and/or undertakes to cause the investigation and/or the termination of any alleged or suspected act of the nature described in Article 6.08;
- (ii) to inform the Bank of the measures taken to seek damages from the persons responsible for any loss resulting from any such act;
- (iii) to facilitate and/or ensure the facilitation of any investigation that the Bank may make concerning any such act.

Unless the Borrower shall otherwise specify in writing to the Bank, the Ministry of Finance and Treasury of the Borrower shall be responsible for contacts with the Bank for the purposes of Article 6.08.

### **ARTICLE 9** **Charges and expenses**

#### **9.01 Taxes, duties and fees**

The Bank shall not pay any taxes, duties, fees and other impositions of whatsoever nature, including stamp duty and registration fees, arising out of the execution or implementation of this Contract or of any related document and or of the creation of any security for the Loan.

The Borrower shall pay all principal, interest, indemnity and other amounts due under this Contract gross without deduction of any national or local impositions whatsoever; provided that, if the Borrower is obliged to make any such deduction, it will gross up the payment to the Bank so that after deduction, the net amount received by the Bank is equivalent to the sum due.

The Borrower and the Entity intend not to apply to the Final Beneficiaries any taxes, custom duties or fees of whatsoever nature in relation to the implementation of the Project according to the laws of Bosnia and Herzegovina.

#### **9.02 Other charges**

The Borrower shall bear all charges and expenses, including professional, banking, transfer, or exchange charges incurred in connection with the implementation and monitoring of this Contract or any related document, including any amendment thereto, and in the creation, management and enforcement of any security for the Loan, if any, as well as any expenses of the Bank under Article 8.01.

The Bank shall provide documentary support for any such charges or expenses seven (7) days before its demand for payment falls due.

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**ARTICLE 10**  
**Prepayment upon an event of default**

**10.01 Right to demand repayment**

The Borrower shall repay the Loan or any part thereof forthwith, together with interest accrued thereon, upon written demand being made therefor by the Bank in accordance with the following provisions.

**10.01(1) Immediate demand**

The Bank may make such demand immediately:

- (i) if the Borrower fails on due date to repay any part of the Loan, to pay interest thereon or to make any other payment to the Bank as herein provided;
- (ii) if the Borrower defaults in the performance of any financial obligation in respect of any loan and if, following any default in relation thereto, the Borrower is required to prepay any other loan or to discharge ahead of maturity any indebtedness arising out of a financial transaction;
- (iii) if the Entity defaults in the performance of any obligation hereunder;
- (iv) if, following a default of the Borrower in the performance of any obligation in respect to any loan referred to in Recital (2) or any grant extended to it by the European Union, the right of the Borrower to drawdown the proceeds of that loan or any such grant shall, in whole or in part, have been cancelled or terminated or if that loan or any such grant shall have become repayable pursuant to its terms;
- (v) generally, if any event occurs which is likely to jeopardise the servicing of the Loan or adversely affect any security therefor; or
- (vi) if any information or document given to the Bank by or on behalf of the Borrower in connection with the negotiation of this Contract or during their lifetime proves to have contained a material misstatement of fact, when given.

**10.01(2) Demand after notice to remedy**

The Bank may also make such demand, upon the matter not being remedied to the satisfaction of the Bank within a reasonable period of time specified in a notice served by the Bank on the Borrower:

- (i) if the Borrower and/or the Entity fails to comply with any material obligation under this Contract not being an obligation mentioned in Article 10.01(1)(i); or
- (ii) if any fact stated in the Recitals materially alters and is not materially restored and if the alteration either prejudices the interests of the Bank as lender to the Borrower or adversely affects the implementation or operation of the Project.

**10.02 Other rights at law**

Article 10.01 shall not restrict any other right of the Bank at law to require prepayment of the Loan.

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**10.03 Indemnity**

**10.03(1) Fixed-Rate Tranches**

In case of demand under Article 10.01 in respect of any Fixed-Rate Tranche, the Borrower shall pay to the Bank the sum demanded together with interest accrued thereon and with a sum calculated in accordance with Article 4.02(2)(i) on any sum that has become due and payable. Such sum shall accrue from the due date for payment specified in the Bank's notice of demand and be calculated on the basis that prepayment is effected on the date so specified.

**10.03(2) FSFR Tranches**

In case of demand under Article 10.01 in respect of an FSFR Tranche, the Borrower shall pay to the Bank the sum demanded together with a sum equal to the present value of 0.15% (15 basis points) per annum calculated and accruing on the amount due to be prepaid in the same manner as interest would have been calculated and would have accrued, if that amount would have remained outstanding according to the original amortisation schedule of the Tranche, taking into account the Interest Conversion Date if any.

Such present value shall be determined using a discount rate, applied as of each relevant Payment Date. The discount rate shall be the Fixed Rate applicable one (1) month prior to the date of prepayment and having the same terms for the payment of interest and the same term to Maturity Date or Interest Conversion Date, if any, in the case of an FSFR Tranche, as the amount to be prepaid.

**10.03(3) General**

Amounts due by the Borrower pursuant to this Article 10.03 shall be payable on the date of prepayment specified in the Bank's demand.

**10.04 Non-Waiver**

No failure or delay by the Bank in exercising any of its rights under this Article 10 shall be construed as a waiver of such right.

**10.05 Application of sums received**

Sums received by the Bank following a demand under Article 10.01 shall be applied first in payment of expenses (if any), interest and indemnities and secondly in reduction of the outstanding instalments in inverse order of maturity. The Bank may apply sums received between Tranches at its discretion.

**ARTICLE 11  
Language, law and jurisdiction**

**11.01 Language**

Every document, notice or communication made between the parties hereunder shall be made in the English language or shall be accompanied by a duly certified translation in English.

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**11.02 Governing Law**

This Contract shall be governed by the laws of the Grand Duchy of Luxembourg.

**11.03 Jurisdiction**

Disputes arising out of this Contract shall be submitted to the Court of Justice of the European Communities.

The parties to this Contract hereby waive any immunity from, or right to object to, the jurisdiction of that Court. Any decision of the Court given pursuant to this Article 11.03 shall be conclusive and binding on the parties without restriction or reservation.

**11.04 Evidence of sums due**

In any legal action arising out of this Contract the certificate of the Bank as to any amount due to the Bank under this Contract shall be prima facie evidence of such amount.

**ARTICLE 12  
Final clauses**

**12.01 Notices to either party**

Notices and other communications given hereunder addressed to either party to this Contract shall be in writing and shall be sent to its address set out below, or to such other address as it previously notifies to the other in writing:

For the Bank	100 boulevard Konrad Adenauer L-2950 Luxembourg
For the Borrower	Ministry of Finance and Treasury Trg BiH 1 – 71000 Sarajevo - BiH
For the Entity	FMOAWMF 15 Marsala Tita Street - 71000 Sarajevo - BiH

**12.02 Form of notice**

Notices and other communications, for which fixed periods are laid down in this Contract or which themselves fix periods binding on the addressee, shall be served by hand delivery, registered letter, facsimile or other means of transmission which affords evidence of receipt by the addressee. The date of registration or, as the case may be, the stated date of receipt of transmission shall be conclusive for the determination of a period.

Notices issued by the Borrower pursuant to any provision of this Contract shall, where required by the Bank, be delivered to the Bank together with satisfactory evidence of the authority of the person or persons authorised to sign such notice on behalf of the Borrower and the authenticated specimen signature of such person or persons.

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**12.03 Recitals and Schedules**

The Recitals and following Schedules form part of this Contract:

Schedule A.1	Technical Description
Schedule A.2	Project Information to be sent to the Bank and Method of Transmission
Schedule B	Definition of EURIBOR and LIBOR
Schedule C	Form of Disbursement Request (Article 1.02(2))
Schedule D	Certificate of the Borrower
Schedule E	Conversion of Tranche from FSFR to Fixed
Schedule F	Representation of No Risk of Significant Effect on Sites of Nature Conservation Importance
Schedule G	Representation of Risk of Significant Effect on Sites of Nature Conservation Importance

IN WITNESS WHEREOF the parties hereto have caused this Contract to be initialled on each page on their behalf and to be executed in five (5) originals in the English language as follows.

Sarajevo, 15 July 2008  
*Luxembourg, 18 August 2008*

Signed for and on behalf of  
BOSNIA AND HERZEGOVINA

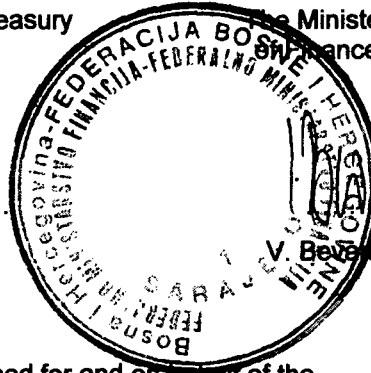
The Ministry of Finance and Treasury



D. Vrankic

Signed for and on behalf of the  
FEDERATION OF BOSNIA  
AND HERZEGOVINA

The Minister of Agriculture, Forestry and Water Management



B. Vrandić

The Minister of Agriculture, Forestry and Water Management



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Signed for and on behalf of the  
EUROPEAN INVESTMENT BANK

The Associate Director

The Senior Loan Officer

*M. Tonci Ottieri*  
M. Tonci Ottieri

*M. Hoenicke*  
M. Hoenicke

## TECHNICAL DESCRIPTION

### Purpose, Location

The project concerns priority investment schemes for water and sanitation within the territory of the Federation of Bosnia and Herzegovina, the purpose of which is to improve public health and the environment. The individual schemes are located in the following municipalities:

- Zenica
- Zavidovići
- Visoko
- Olovo
- Usora
- Doboj Jug
- Doboj Istok
- Posušje
- Široki Brijeg
- Mostar
- Velika Kladuša
- Bosanski Petrovac
- Orašje
- Tomislavgrad
- Bosanska Krupa

The Project also includes project preparation related to a programme of measures for integrated water resources management around Modrac reservoir, and in particular related to a waste water treatment plant ("WWTP") likely to be constructed in the territory of Zivinice.

Other municipalities may be added, subject to demonstration to the Bank that the associated schemes have a close connection with schemes already included or will have significant public health or environmental impact as demonstrated by an overall prioritisation of measures relating to the water sector.

### Description

The technical components of each scheme shall fall under the following description:

- Studies, Designs
- Rehabilitation, upgrade or new construction of
  - water resource infrastructure
  - water supply systems
  - extension of drinking water treatment facilities
  - waste water collection systems
  - waste water treatment facilities
  - bulk and consumer metering
- Water and energy efficiency measures
- Supervision
- Technical Assistance

The detailed description of each scheme shall be as ex-ante approved by the Bank on the basis of a fiche filled in by the Entity on the basis of a template provided by the Bank and any other information required by the Bank.

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Also eligible and subject to ex-ante approval by the Bank shall be similar or related components to be operated, executed or managed by water sector responsible ministries/agencies (including but not limited to the FMOAWMF of the Entity), including administration and provision of necessary expertise, deemed necessary for successful design, implementation or monitoring of the project.

**Calendar**

Implementation of all schemes shall be within the period of 2006-2012 (including some schemes already on-going).

**Investment Costs and Financing plan as estimated by the Bank**

Investment Cost	EUR m	Financing Plan	EUR m	(%)
Water Schemes	39.5	Own funds of Entity or Beneficiaries	36.4	31
Waste Water Schemes	54.1	Other sources of funding from other international financial institutions and donors	24.9	20
Efficiency measures	10.0	EIB loan	60.0	49
Technical contingencies	5.2			
Price contingencies	5.4			
Interest during construction	7.1			
<b>TOTAL</b>	<b>121.3</b>	<b>TOTAL</b>	<b>121.3</b>	<b>100.0</b>

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**PROJECT INFORMATION TO BE SENT TO THE BANK AND METHOD OF TRANSMISSION**

1. Dispatch of information: designation of the person responsible

The information below has to be sent to the Bank under the responsibility of:

Company	Ministry of Agriculture, Water Management and Forestry
Contact person	Assistant Minister of Water Management
Function / Department	Water Management
Address	Marsala Tita 15 71000 Sarajevo Bosnia and Herzegovina
Phone	+387 33 205 620
Fax	+387 33 205 620
Email	fmpvode@bih.net.ba - Website www.fmpvs.gov.ba

The above-mentioned contact person(s) is (are) the responsible contact(s) for the time being. The FMOAWMF of the Entity shall inform the EIB immediately in case of any change

2. Reporting language

Information submitted to the Bank shall be in English.

3. Project Website (on website of the FMOAWMF of the Entity)

Establishment of a project website for publication as soon as available of

- General project information
- Summary scheme descriptions
- Tender awards
- Environmental Impact Studies
- Screening decisions regarding EIA
- Non-technical summaries of EIA

It shall be possible to link from EIBs external website to the Project Website.

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4. Information on specific subjects

The FMOAWMF of the Entity shall deliver to the Bank the following information at the latest by the deadline indicated below.

Document / Information	Deadline
Report on implementation of the Water Law, covering inter alia <ul style="list-style-type: none"> <li>• Description of secondary legislation developed</li> <li>• Definition of cantonal role on the water sector</li> <li>• Effectiveness of enforcement of environmental protection and the water law</li> <li>• Review of public awareness initiatives in relation to water and public health</li> </ul>	No later than two year after the Water Law has come into force.
Mid-term Review, covering inter alia <ul style="list-style-type: none"> <li>• Overall Progress</li> <li>• Sector Developments</li> <li>• Review of effectiveness and efficiency of procedures</li> </ul>	On disbursement bringing total allocation in excess of 50% of the loan amount. However, no later than 2 years after loan signature.
Draft and final Water Management Strategy	As specified in the Water Law.
Publishing of water service levels and drinking water quality information for involved municipalities in local media	Annually
A regular update of cash-flow projections for municipal service providers along with an annual submission of a list of performance indicators for each Final Beneficiary to be agreed with the Bank.	Annually

5. Procurement

English language summary of tender documents and tender evaluation reports for works contracts for international tender for information, to the extent such documents are required under the Procurement Guide of the Bank.

English language summary of tender documents tender evaluation reports for works contracts for WWTPs or Drinking Water Facilities for no-objection.

Maintenance of up-to-date summary contract and tender evaluation information for all contracts for possible inspection.

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6. Information on implementation of the project and individual schemes

The FMOAWMF of the Entity shall deliver to the Bank the following information on project progress during implementation at the latest by the deadline indicated below.

Document / information	Deadline	Frequency of reporting
<b>Project Progress Report</b> <ul style="list-style-type: none"> <li>- A brief update on the technical description, explaining the reasons for significant changes vs. initial scope;</li> <li>- Update on the date of completion of each of the main project's components, explaining reasons for any possible delay;</li> <li>- Update on the cost of the project, explaining reasons for any possible cost increases vs. initial budgeted cost;</li> <li>- A description of any major issue with impact on the environment;</li> <li>- Update on procurement procedures;</li> <li>- Update on the project's demand or usage and comments;</li> <li>- Any significant issue that has occurred and any significant risk that may affect the project's operation;</li> <li>- Any legal action concerning the project that may be ongoing.</li> <li>- Specific issues particular to individual schemes</li> </ul>	1 <sup>st</sup> March 1 <sup>st</sup> September	6 monthly

7. Information on the end of works and first year of operation

The FMOAWMF of the Entity shall deliver to the Bank the following information on project completion and initial operation at the latest by the deadline indicated below.

Document / information	Date of delivery to the Bank
<b>Project Completion Report, including:</b> <ul style="list-style-type: none"> <li>- A brief description of the technical characteristics of the project as completed, explaining the reasons for any significant change;</li> <li>- The date of completion of each of the main project's components, explaining reasons for any possible delay;</li> <li>- The final cost of the project, explaining reasons for any possible cost increases vs. initial budgeted cost;</li> <li>- The number of new jobs created by the project: both jobs during implementation and permanent new jobs created;</li> <li>- A description of any major issue with impact on the environment;</li> <li>- Update on procurement procedures;</li> <li>- Update on the project's demand or usage and comments;</li> <li>- Any significant issue that has occurred and any significant risk that may affect the project's operation;</li> <li>- Any legal action concerning the project that may be ongoing.</li> </ul>	6 months after last disbursement

*Handwritten signature and initials:*  
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 R. A. C.

## Definition of EURIBOR and LIBOR

### A. EURIBOR

"EURIBOR" means:

- (i) in respect of a relevant period of less than a month, the rate of interest for deposits in EUR for a term of one (1) month, and
- (ii) in respect of any relevant period, including a FSFR Reference Period or any other period of time of one or more (but whole) months, the rate of interest for deposits in EUR for a term being the number of whole months, or
- (iii) in respect of any relevant period, including a FSFR Reference Period or any other period of time of more than one (but not whole) months, the rate resulting from a linear interpolation by reference to two rates for deposits in EUR, one of which applicable for a period of whole months next shorter and the other for a period of whole months next longer than the length of the relevant period,

(the period for which the rate is taken or based on which the rates are interpolated being hereafter called the "Representative Period") as published at 11.00 a.m. Brussels time or at a later time acceptable to the Bank on the day (the "Reset Date") which falls two Relevant Business Days prior to the first day of the relevant period, on Reuters page EURIBOR 01 or its successor page or, failing which, by any other means of publication chosen for this purpose by the Bank.

If such rate is not so published, the Bank shall request the principal euro-zone offices of four major banks in the euro-zone, selected by the Bank, to quote the rate at which EUR deposits in a comparable amount are offered by each of them as at approximately 11:00 a.m., Brussels time, on the Reset Date to prime banks in the euro-zone interbank market for a period equal to the Representative Period. If at least two quotations are provided, the rate for that Reset Date will be the arithmetic mean of the quotations.

If fewer than two quotations are provided as requested, the rate for that Reset Date will be the arithmetic mean of the rates quoted by major banks in the euro-zone, selected by the Bank, at approximately 11:00 a.m. Brussels time on the day which falls two Relevant Business Days after the Reset Date, for loans in EUR in a comparable amount to leading European Banks for a period equal to the Representative Period.

### B. LIBOR USD

"LIBOR" means, in respect of USD:

- (i) in respect of a relevant period of less than a month, the rate of interest for deposits in USD for a period of one (1) month, and
- (ii) in respect of any relevant period, including a FSFR Reference Period or any other period of time of one or more (but whole) months, the rate of interest for deposits in USD for a term being the number of whole months, or
- (iii) in respect of any relevant period, including a FSFR Reference Period or any other period of time, of more than one (but not whole) months, the rate resulting from a linear interpolation by reference to two rates for deposits in USD, one of which applicable for a period of whole months next shorter and the other for a period of whole months next longer than the length of the relevant period,

(the period for which the rate is taken or based on which the rates are interpolated being hereafter called the "Representative Period")

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as set by the British Bankers Association and released by financial news providers at 11.00 a.m. London time or at a later time acceptable to the Bank on the day (the "Reset Date") which falls two London Business Days prior to the first day of the relevant period.

If such rate is not so released by any financial news provider acceptable to the Bank, the Bank shall request the principal London offices of four major Banks in the London interbank market selected by the Bank to quote the rate at which USD deposits in a comparable amount are offered by each of them at approximately 11.00 a.m. London time on the Reset Date, to prime banks in the London interbank market for a period equal to the Representative Period. If at least two such quotations are provided, the rate will be the arithmetic mean of the quotations provided.

If fewer than two quotations are provided as requested, the Bank shall request the principal New York City offices of four major Banks in the New York City interbank market, selected by the Bank, to quote the rate at which USD deposits in a comparable amount are offered by each of them at approximately 11.00 a.m. New York City time on the day falling two (2) New York Business Days after the Reset Date, to prime banks in the European market for a period equal to the Representative Period. If at least two (2) such quotations are provided, the rate will be the arithmetic mean of the quotations provided.

C. LIBOR GBP

"LIBOR" means, in respect of GBP:

- (i) in respect of a relevant period of less than a month, the rate of interest for deposits in GBP for a period of one (1) month,
- (ii) in respect of any relevant period, including a FSFR Reference Period or any other period of time of one or more (but whole) months, the rate of interest for deposits in GBP for a term being the number of whole months, or
- (iii) in respect of any relevant period, including a FSFR Reference Period or any other period of time, of more than one (but not whole) months, the resulting from a linear interpolation by reference to two rates for deposits in GBP, one of which applicable for a period of whole months next shorter and the other for a period of whole months next longer than the length of the relevant period,

(the period for which the rate is taken or based on which the rates are interpolated being hereafter called the "Representative Period"),

as set by the British Bankers Association and released by financial news providers at 11.00 a.m. London time or at a later time acceptable to the Bank on the day (the "Reset Date") on which the relevant period starts or, if that day is not a London Business Day, on the next following day which is a London Business Day.

If such rate is not so released by any financial news provider acceptable to the Bank, the Bank shall request the principal London offices of four major banks in the London interbank market, selected by the Bank (the "Reference Banks"), to quote the rate at which GBP deposits in a comparable amount are offered by each of them at approximately 11.00 a.m. London time on the Reset Date, to prime banks in the London interbank market for a period equal to the Representative Period. If at least two such quotations are provided, the rate will be the arithmetic mean of the quotations provided.

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If fewer than two quotations are provided as requested, the rate will be the arithmetic mean of the rates quoted at approximately 11.00 a.m. London time on the Reset Date by major banks in London (selected by the Bank) for loans in GBP in a comparable amount to leading European banks for a period equal to the Representative Period

**D. General**

For the purposes of the foregoing definitions:

**“London Business Day”** means a day on which banks are open for normal business in London and **“New York Business Day”** means a day on which banks are open for normal business in New York.

All percentages resulting from any calculations referred to in this Schedule will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with halves being rounded up.

The Bank shall inform the Borrower without delay of the quotations received by the Bank.

If any of the foregoing provisions becomes inconsistent with provisions adopted under the aegis of EURIBOR FBE and EURIBOR ACI in respect of EURIBOR or of the British Bankers Association in respect of LIBOR, the Bank may by notice to the Borrower amend the provision to bring it into line with such other provisions.

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Form of Disbursement Request (Article 1.02(2))

Country - PROJECT

Date:

Please proceed with the following disbursement:

Loan Name (\*):

Signature Date (\*):  Contract FI number:

Currency & amount requested	
Currency	Amount

Proposed disbursement date:

<b>INTEREST</b>	Int. rate basis (Art. 3.01)	<input type="text"/>
	Rate (% or Spread)	<input type="text"/>
	Frequency (Art. 3.01)	Annual <input type="checkbox"/> Semi-annual <input type="checkbox"/>
	Payment Dates (Art. 5)	<input type="text"/>

<b>CAPITAL</b>	Repayment frequency	Annual <input type="checkbox"/> Semi-annual <input type="checkbox"/>
	Repayment methodology (Art. 4.01)	Equal instalments <input type="checkbox"/> Constant annuities <input type="checkbox"/>
	First repayment date	<input type="text" value="&lt;/&gt;"/>
	Last repayment date:	<input type="text" value="&lt;/&gt;"/>

<b>Reserved for the EIB (contract currency)</b>	
Total Credit Amount:	<input type="text" value="60 mio."/>
Disbursed to date:	<input type="text"/>
Balance for disbursement:	<input type="text"/>
Current disbursement:	<input type="text"/>
Balance after disbursement:	<input type="text"/>
Disbursement deadline:	<input type="text" value="30 June 2012"/>
Max. number of disbursements:	<input type="text" value="20"/>
Minimum Tranche size:	<input type="text" value="3 mio. 1 mio. (for 1st tranche)"/>
Total allocations to date:	<input type="text"/>
Conditions precedent:	<input type="text" value="Yes / No"/>

Borrower's account to be credited:

Acc. No.: .....

(please, provide IBAN format in case of disbursements in EUR, or appropriate format for the relevant currency)

Bank name and address: .....

Please transmit information relevant to request to:

Borrower's authorised name(s) and signature(s):

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R.  
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Form of Certificate from Borrower

To: European Investment Bank

From: />

Date:

Dear Sirs,

**Subject:** Water and Sanitation Federation BIH

Finance Contract between European Investment Bank and Bosnia and Herzegovina and the Federation of Bosnia and Herzegovina dated ● 2008 (hereafter referred to as the "Finance Contract")

Terms defined in the Finance Contract have the same meaning when used in this letter.

For the purposes of Article 1.04 of the Finance Contract we hereby certify to you as follows:

- (i) such part of our funds, the loans and grants referred to in the second Recital are available to us as is necessary to enable the undisturbed progress of the execution of the Project in accordance with the Technical Description;
- (ii) no exchange control consents are currently required in order to permit the receipt of the amount of the Tranche to be disbursed hereunder on our account No. \_\_\_\_\_ with \_\_\_\_\_, the repayment of the Loan and the payment of all interest and other amounts due under the Finance Contract;
- (iii) no situation has occurred among those described in Article 4.03(1) of the Finance Contract;
- (iv) the provisions set out in Articles 6 and 8.04 of the Finance Contract are fully complied with;
- (v) after the date of the Finance Contract, no additional security, preference or priority envisaged by Article 7 has been granted without us having informed you in respect of it;
- (vi) there is no current litigation, arbitration, regulatory proceeding or investigation, for which process has been served on us or any of our subsidiaries, and which, if adversely determined, could materially affect our ability to perform our obligations under the Finance Contract; and
- (vii) since the execution of the Finance Contract, there has not occurred any event mentioned in its Article 10.01.

Yours faithfully,  
for and on behalf of  
</>

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## CONVERSION OF A TRANCHE FROM FSFR TO FIXED

For any FSFR Tranche the following provisions shall apply:

### A. Definitions in this Schedule

**"Conversion Proposal"** means a proposal made by the Bank under Paragraph B of this Schedule.

**"Interest Conversion"** means the conversion of the Tranche, or part thereof, from a variable to fixed interest rate for its remaining term.

**"Interest Conversion Date"** means the date specified by the Borrower under Article 1.02B (vii) on condition that at least € 10 million remains outstanding at that date, being a date falling (i) not less than four (4) years or, in the case of a Tranche repayable in one instalment, not less than three (3) years from the Scheduled Disbursement Date of the Tranche concerned; and (ii) not less than four (4) years of, in the case of a Tranche repayable in one instalment, not less than three (3) years before the last allowed Payment Date stated in Article 4.01A. **"Interest Conversion Request"** or **"Request"** means a written notice from the Borrower, delivered at least 75 days before the Interest Conversion Date, requesting the Bank to submit to it a Conversion Proposal for the Tranche. The Request shall also specify:

- (i) whether the conversion is into a Fixed-Rate Tranche;
- (ii) Payment Dates chosen in accordance with the respective provisions of Article 3.01; and
- (iii) the preferred repayment schedule chosen in accordance with Article 4.01A.

### B. Mechanics of Conversion

Upon receiving an Interest Conversion Request, and, where appropriate, after prior consultation with the Borrower, and subject to availability, the Bank shall, on each Luxembourg Business Day in the interval falling between 60 and 30 days before the Interest Conversion Date, until the date the Borrower accepts, deliver to the Borrower a proposal (a **"Conversion Proposal"**) stating:

- (i) the interest rate that would apply to the Tranche, or the part thereof indicated in the Request, being a Fixed Rate all pursuant to Article 3.01; and
- (ii) that the Fixed Rate shall apply as from the relevant Interest Conversion Date, interest being payable quarterly, semi-annually or annually in arrears on designated Payment Dates.

The Borrower may accept a Conversion Proposal by 17h00 Luxembourg time on the day of its delivery.

Any amendment to the Contract requested by the Bank in this connection shall be effected by an agreement to be concluded not later than 15 days prior to the relevant Interest Conversion Date.

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**C. Effects of Conversion**

To the extent that the Borrower duly accepts a Conversion Proposal, the Borrower shall pay accrued interest on the Interest Conversion Date and thereafter on the designated Payment Dates.

Prior to the Interest Conversion Date, the provisions of the Contract relating to FSFR Tranches shall apply to the entire Tranche. From the Interest Conversion Date, the provisions relating to Fixed-Rate Tranches shall apply to the whole or, as the case may be, the converted part of the Tranche and, in particular, to any prepayment of the converted part that occurs after the Borrower has duly accepted a Conversion Proposal. The previously applicable provisions shall apply to the balance.

**D. Non-fulfilment of Interest Conversion**

If the Borrower accepts the Conversion Proposal for less than the whole Tranche or if the parties fail to effect an amendment requested by the Bank pursuant to Paragraph B, the Borrower shall repay the balance of the Tranche on the Interest Conversion Date.

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REPRESENTATION OF NO RISK OF SIGNIFICANT EFFECT ON SITES OF NATURE CONSERVATION IMPORTANCE

DECLARATION BY THE AUTHORITY RESPONSIBLE FOR MONITORING SITES OF NATURE CONSERVATION IMPORTANCE<sup>1</sup>

Responsible Authority.....

Having examined<sup>2</sup> the project application .....

(title).....

which is to be located at .....

we declare that (tick the appropriate box):

- The project is not likely to have significant effects on a site of nature conservation importance<sup>1</sup> on the following grounds:

.....

.....

...

Therefore an appropriate assessment required by Article 6(3) of Directive 92/43/EEC was not deemed necessary.

- Following an appropriate assessment, according to Art. 6(3) of Directive 92/43/EEC, the project will not have significant negative effects on a site of nature conservation importance<sup>1</sup>.

A map at scale of 1:100.000 (or the nearest possible scale) is attached, indicating the location of the project as well as the site of nature conservation importance<sup>1</sup> concerned, if any.

Signed: .....

Date .....

(Authority responsible for monitoring sites of nature conservation importance)

Official Seal:

\_\_\_\_\_

<sup>1</sup> This includes sites that will potentially be part of the Natura 2000 network (including Special Areas of Conservation and Special Protection Areas), Ramsar sites, International Bird Areas, sites of the Emerald Network, or others as relevant.

<sup>2</sup> Taking into account the requirements of Art. 6(3) of Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora.

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REPRESENTATION OF RISK OF SIGNIFICANT EFFECT ON SITES OF  
NATURE CONSERVATION IMPORTANCE

**INFORMATION FROM THE AUTHORITY RESPONSIBLE FOR MONITORING  
SITES OF NATURE CONSERVATION IMPORTANCE<sup>3</sup>**

Responsible Authority.....

Having examined<sup>4</sup> the project application .....

(title).....

which is to be located at .....

provides the following information

Country: <i>Bosnia and Herzegovina</i>
Competent Authority:
Address:

Contact person:
Tel., fax, e-mail:
Date:

<sup>3</sup> This includes sites that will potentially be part of the Natura 2000 network (including Special Areas of Conservation and Special Protection Areas), Ramsar sites, International Bird Areas, sites of the Emerald Network, or others as relevant.

<sup>4</sup> Taking into account the requirements of Art. 6(4) of Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora.

*Handwritten signature and initials*  
R.a.c.



**1. PROJECT**

Name of the site affected:

This site is (please tick):

- a site identified by the national Competent Authority as qualifying under Art. 4(1) and (2) of the **Birds** directive (79/409/EEC) (Special Protection Area equivalent to Natura 2000)
- a site identified by the national Competent Authority as qualifying under Art. 4 (1) of the **Habitats** directive (92/43/EEC) (Special Area of Conservation equivalent to Natura 2000)
- a site listed in the latest inventory on **Important Bird Areas** (IBA 2000) or (if available) in an equivalent more detailed scientific inventories endorsed by national Authorities
- a wetland of international importance designated under the **Ramsar** Convention or qualifying for such protection
- a site to which the Bern convention on the conservation of European Wildlife and Natural Habitats (Art. 4) applies, in particular a site meeting the criteria of the **Emerald network**
- areas protected under national nature conservation legislation

Summary of the project having an effect on the site:

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**2. NEGATIVE EFFECTS**

Summary of the assessment of the negative effects on the site:

N.B.: this summary should focus on the adverse effect expected on the conservation value of the site (habitats and species), include the appropriate maps and describe the already decided mitigation measures.

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**4. IMPERATIVE REASONS**

Reason to nevertheless carry out this plan or project:

- Imperative reasons of overriding public interest, including those of a social or economic nature (in the absence of priority habitat/species)
- human health
- public safety
- beneficial consequences of primary importance for the environment
- other imperative reasons of overriding public interest

Short description of the reason:

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**5. COMPENSATION MEASURES**

Foreseen compensatory measures and timetable:

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