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**LOAN NUMBER 7453 HR**

# **Loan Agreement**

**(Inland Waters Project)**

**between**

**REPUBLIC OF CROATIA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated June 12, 2007**

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**LOAN NUMBER 7453 HR**

**LOAN AGREEMENT**

Agreement dated June 12, 2007, between REPUBLIC OF CROATIA (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

**ARTICLE I - GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Loan Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II - LOAN**

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of one hundred million Euro (EUR 100,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement
- 2.03. The Commitment Charge payable by the Borrower shall be equal to three-fourths of one percent (3/4 of 1%) per annum on the Unwithdrawn Loan Balance, subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.
- 2.04. The Front-end Fee payable by the Borrower shall be equal to one percent (1.0%) of the Loan amount, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread, subject to any waiver of a portion of such interest as may be determined by the Bank from time to time; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion

Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions.

- 2.06. The Payment Dates are April 15 and October 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement.
- 2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.  
  
(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.  
  
(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

### **ARTICLE III - PROJECT**

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall cause the Project Implementing Entity to carry out the Project in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

#### **ARTICLE IV - REMEDIES OF THE BANK**

- 4.01. The Additional Event of Suspension consists of the following: the Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.
- 4.02. The Additional Event of Acceleration consists of the following: the event specified in Section 4.01 of this Agreement occurs.

#### **ARTICLE V - EFFECTIVENESS**

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) the Subsidiary Agreement has been executed on behalf of the Borrower and the Project Implementing Entity;
  - (b) at least two Subsidiary Financing Agreements have been executed between the Project Implementing Entity and the respective Utilities and Municipalities.
- 5.02. The Additional Legal Matters consist of the following.
- (a) the Subsidiary Agreement has been duly authorized or ratified by the Borrower and the Project Implementing Entity and is legally binding upon the Borrower and the Project Implementing Entity in accordance with its terms; and
  - (b) the Subsidiary Financing Agreements referred to in Section 5.01(b) have been duly executed between the Project Implementing Entity and the respective Utilities and Municipalities, and are legally binding upon the parties to said agreements.
- 5.03. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

#### **ARTICLE VI - REPRESENTATIVE; ADDRESSES**

- 6.01. The Borrower's Representative is the Minister of Finance.

6.02. The Borrower's Address is:

Minister of Finance  
Ministry of Finance  
Katančeva 5  
10000 Zagreb  
Republic of Croatia

Telex:

862-21215  
862-21833

Facsimile:

(385-1) 4922-598

6.03. The Bank's Address is:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

Telex:

Facsimile:

INTBAFRAD  
Washington, D.C.

248423(MCI) or  
64145(MCI)

1-202-477-6391

AGREED at Davor, Republic of Croatia, as of the day and year first above written.

REPUBLIC OF CROATIA

By: /s/ Ivan Suker

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By: /s/ Anand K. Seth

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to improve water supply services, wastewater services, and flood protection measures in the Sava, Drava, and Danube river basins of the Republic of Croatia.

The Project consists of the following parts:

#### Part A : Technical Assistance

##### 1. EU Accession Support

(a) Institutional strengthening for the Project Implementing Entity and MOAFWM to implement the Water Management Strategy.

(b) Assistance in preparation of projects for financing by the EU and other sources, including feasibility studies, preparation of documentation for location and construction permits, preliminary and final design, environmental assessment and preparation of bidding documents.

##### 2. Project Implementation Support to the Project Implementing Entity

(a) Provision of implementation support to the Project Implementing Entity, including preparation of feasibility studies and other documentation for investments to be financed under Part B of the Project.

(b) Assistance in financial management, procurement and environmental and safeguard issues for the Project.

(c) Preparation of Project reports and audit.

##### 3. Institutional Strengthening of Utilities

(a) Provision of implementation support to the Utilities, including preparation of feasibility studies and other documentation for location and construction permits, preliminary and final design and environmental assessments.

(b) Preparation of bidding documents.

(c) Construction supervision.

(d) Assistance for reducing water losses and improvement of financial position of Utilities.

(e) Preparation of reports to the Project Implementing Entity on implementation of Sub-projects.

(f) Conducting customer surveys at the beginning and end of Sub-project implementation.

Part B: Investments

1. Utility Investments

Carrying out of Sub-projects by the Utilities to:

(a) improve and increase water supply services, including: the construction and rehabilitation of the water supply network, construction and rehabilitation of water treatment plants, construction and rehabilitation of water abstraction facilities, construction and rehabilitation of pumping systems, construction and rehabilitation of reservoirs, and installation of connections to the water supply network;

(b) improve and increase the wastewater collection services, including: the construction and rehabilitation of sewerage network, construction and rehabilitation of pumping systems, and installation of connections to the sewerage network system;

(c) treat the collected wastewater as per applicable legislation in an environmentally sound manner through the construction and rehabilitation of wastewater treatment plants and disposal systems.

2. Flood Protection

Carrying out investments to enhance the flood protection measures in the Central Posavina retention area, including: construction and rehabilitation of dikes, construction and rehabilitation of overflow structures, and construction and rehabilitation of flood protection walls.

## SCHEDULE 2

### Project Execution

#### **Section I. Subsidiary Financing; Institutional and Other Arrangements**

##### **A. Subsidiary Agreement**

1. To facilitate the carrying out of the Project by the Project Implementing Entity, the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity under a separate subsidiary agreement between the Borrower and the Project Implementing Entity (“Subsidiary Agreement”), under terms and conditions approved by the Bank, which shall include the following: (a) for Parts A.3 and B.1 of the Project, 50% of the proceeds of the Loan transferred to the Project Implementing Entity as a grant and the remaining 50% of the proceeds of the Loan transferred to the Project Implementing Entity as a loan; (b) for Parts A.1, A.2 and B.2 of the Project, 100% of the proceeds of the Loan transferred to the Project Implementing Entity as a loan; (c) proceeds of the Loan transferred to the Project Implementing Entity to be denominated in Euro; (d) repayment of the proceeds of the Loan transferred to the Project Implementing Entity as a loan, over a period of fifteen (15) years, inclusive of a grace period of five (5) years; (e) payment of interest on the principal amount of the Loan transferred to the Project Implementing Entity as a loan, withdrawn and outstanding from time to time at the rate payable by the Borrower pursuant to Section 2.05 of this Agreement; and (f) payment of a commitment charge on 50% of the Unwithdrawn Balance at the rate payable by the Borrower pursuant to Section 2.03 of this Agreement.

2. The Borrower shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, arrogate or waive the Subsidiary Agreement or any of its provisions.

3. The Borrower shall assign to MOAFWM the responsibility for overseeing the implementation of the Project and supervision of the Project Implementing Entity’s performance.

##### **B. Other covenants**

The Borrower shall and shall cause the Project Implementing Entity to implement the Project in accordance with the provisions of the PIP, the Environmental Framework and the Policy Framework for Land Acquisition and Resettlement, if applicable, all satisfactory to the Bank, and shall not amend, suspend or abrogate any of their provisions without the prior agreement of the Bank.



**Section II. Project Monitoring, Reporting, Evaluation**

**A. Project Reports**

The Borrower shall and shall cause the Project Implementing Entity to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators agreed with the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty five (45) days after the end of the period covered by such report.

**B. Financial Management, Financial Reports and Audits**

1. The Borrower shall cause the Project Implementing Entity to maintain a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. The Borrower shall cause the Project Implementing Entity to prepare and furnish to the Bank not later than forty five (45) days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the respective quarter, in form and substance satisfactory to the Bank.

3. The Borrower shall cause the Project Implementing Entity to have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Project Implementing Entity, commencing with the fiscal year in which the Project became effective, and shall be adequate to reflect the operations and financial condition of the Project Implementing Entity and to register separately the operations, resources and expenditures of the Project Implementing Entity related to the Project. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

**Section III. Procurement**

**A. General**

1. **Goods and Works.** Except as the Bank shall otherwise agree, all goods, works and services (other than consulting services) required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the

requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Schedule.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Methods</b>	
(a)	National Competitive Bidding (subject to additional provisions set forth in this Section)
(b)	Shopping
(c)	Direct Contracting

(a) **National Competitive Bidding.** Works estimated to cost less than EUR 4,200,000 equivalent per contract, and goods estimated to cost less than EUR 800,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding and the following additional provisions set forth in (i) through (viii) of this paragraph. The Bank may, upon notice to the Borrower, increase the above threshold for goods to be procured on the basis of the National Competitive Bidding.

(i) Procedures

The public bidding method shall apply to all contracts. Invitations to bid shall be advertised in the Borrower's Official Gazette (*Narodne Novine*)

and in at least one widely circulated national daily newspaper or at Project Implementing Entity's website, allowing a minimum of thirty (30) days for the preparation and submission of bids.

(ii) Assessment of Bidders' Qualifications

When pre-qualification shall be required for large or complex works contracts, invitations to pre-qualify for bidding shall be advertised in the Borrower's Official Gazette (*Narodne Novine*) and at least one widely circulated national daily newspaper a minimum of thirty (30) days prior to the deadline for the submission of pre-qualification applications. Minimum experience, technical and financial requirements shall be explicitly stated in the pre-qualification documents, which shall be determined by a 'pass/fail' method, not through the use of a merit point system. Where pre-qualification is not used, the qualifications of the bidder who is recommended for award of contract shall be assessed by post-qualification, applying minimum experience, technical and financial requirements which shall be explicitly stated in the bidding documents.

(iii) Participation of Government-owned Enterprises

Government-owned enterprises located and operating on the Borrower's territory shall be eligible to participate in bidding only if they can establish, to the Bank's satisfaction, that they are legally and financially autonomous, operate under commercial laws and are not a dependent agency of the Borrower's Government. Said enterprises shall be subject to the same bid and performance security requirements as other bidders.

(iv) Bidding Documents

Project Implementing Entity acting as procuring entity shall use the appropriate standard bidding documents for the procurement of goods, works or services, as defined in the paragraph 1.1 of the Guidelines, which shall contain draft contract and conditions of contract acceptable to the Bank.

(v) Bid Submission, Opening and Evaluation

- (1) Bids shall be submitted in a single envelope containing the bidder's qualification information, technical and price bids, which shall be opened simultaneously at the public bid opening.

- (2) Bids shall be opened in public, immediately after the deadline for submission of bids. The name of the bidder, the total amount of each bid and any discounts offered shall be read aloud and recorded in the minutes of the public bid opening.
- (3) The evaluation of bids shall be done in strict adherence to the monetarily quantifiable criteria specified in the bidding documents and a merit point system shall not be used.
- (4) Extension of bid validity shall be allowed once only for not more than thirty (30) days. No further extensions should be granted without the prior approval of the Bank.
- (5) Contracts shall be awarded to qualified bidders having submitted the lowest evaluated substantially responsive bid.
- (6) No preference shall apply under National Competitive Bidding.

(vi) Price Adjustment

Works contracts of long duration (e.g. more than eighteen (18) months) shall contain an appropriate price adjustment clause.

(vii) Rejection of All Bids

- (1) All bids shall not be rejected and new bids solicited without the Bank's prior written concurrence.
- (2) When the number of bids received is less than two, re-bidding shall not be carried out without the Bank's prior concurrence.

(viii) Securities

Bid securities should not exceed 2% (two percent) of the estimated cost of the contract; and performance securities - not more than 10% (ten percent). No advance payments shall be made to contractors without a suitable advance payment security. The wording of all such securities

shall be included into the bidding documents and shall be acceptable to the Bank.

(b) **Shopping.** Goods and works estimated to cost less than EUR 80,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping procedures in accordance with the provisions of paragraphs 3.1 and 3.5 of the Guidelines.

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>	
(a)	Quality-based Selection
(b)	Selection under a Fixed Budget
(b)	Least Cost Selection
(c)	Selection based on the Consultants' Qualifications
(d)	Single-source Selection
(e)	Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(f)	Sole Source Procedures for the Selection of Individual Consultants

**D. Review by the Bank of Procurement Decisions**

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank: (i) all contracts for goods and works procured on the basis of International Competitive Bidding; (ii) the first two contracts for goods procured on the basis of National Competitive Bidding and all contracts for goods estimated to cost EUR 400,000 and above; (iii) the first two contracts for works procured on the basis of National Competitive Bidding and all contracts for works estimated to cost EUR 1,500,000 and above; (iv) all direct contracts for goods and works; (v) all consultant contracts with firms estimated to cost EUR 80,000 or above; (vi) all individual consultant contracts estimated to cost EUR 40,000 or above; (vii) all single source contracts for firms; and (viii) all sole source contracts for individual consultants. All other contracts shall be subject to Post Review by the Bank.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in EUR)</b>	<b>Percentage of Expenditures to be Financed</b>
(1) Consultants’ Services and Training for Parts A.1 and A.2 of the Project	3,000,000	100%
(2) Consultants’ Services and Training for Part A.3 of the Project	1,700,000	82%
(3) Works and Goods for Part B.1 of the Project	85,500,000	78%
(4) Works and Goods for Part B.2 of the Project	6,800,000	95%
(5) Interest and other charges on the Loan accrued on or before October 15, 2012.	3,000,000	Amounts payable pursuant to Sections 2.03 and 2.05 of this Agreement and in accordance with Section 2.07(c) of the General Conditions
(6) Front-end Fee	0	Amount payable pursuant to Section 2.04 of this Agreement

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in EUR)</b>	<b>Percentage of Expenditures to be Financed</b>
		in accordance with Section 2.07 (b) of the general conditions
(7) Premia for Interest Rate Cap or Interest Rate Collar	0	Amount due under Section 2.08 (c) of this Agreement
TOTAL AMOUNT	<u>100,000,000</u>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed EUR 10,000,000 equivalent may be made for payments made prior to this date but on or after January 1, 2007, for Eligible Expenditures.
2. The Closing Date is December 31, 2012.



### SCHEDULE 3

#### Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<b>Principal Payment Date</b>	<b>Installment Share (Expressed as a Percentage)</b>
On each April 15 and October 15 beginning April 15, 2012 through April 15, 2022	4.55%
On October 15, 2022	4.45%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
  - (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
  - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any

amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
  - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

## APPENDIX

### Definitions

1. “Appraisal Report” means a report to be prepared by the Project Implementing Entity for each set of investments: Set 1 Investments, Set 2 Investments and Set 3 Investments, in accordance with the provisions of Section IV.1(b) of the Schedule to the Project Agreement.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
4. “Environmental Framework” means a document approved by the Borrower and the Project Implementing Entity and published on the Project Implementing Entity’s website ([www.voda.hr/hr/index.htm](http://www.voda.hr/hr/index.htm)), which sets forth policies and procedures, for environmental screening of Sub-projects, for conducting environmental assessments and specifying requirements for environmental mitigation measures.
5. “EU” means the European Union.
6. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005.
7. “MOAFWM” means the Borrower’s Ministry of Agriculture, Forestry and Water Management.
8. “Municipality” means an administrative subdivision of the Borrower.
9. “Policy Framework for Land Acquisition and Resettlement” means a document approved by the Borrower and the Project Implementing Entity and published on the Project Implementing Entity’s website ([www.voda.hr/hr/index.htm](http://www.voda.hr/hr/index.htm)), which sets forth policies and procedures, in accordance with the Borrower’s applicable laws and regulations, to be followed in case of land acquisition for carrying out of the Project activities.
10. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
11. “Procurement Plan” means the procurement plan dated April 19, 2007 included in the Appraisal Report for Set 1 Investments, as the same shall be updated in the Appraisal Report for Set 2 Investments and the Appraisal Report for Set 3 Investments.
12. “Project Implementation Plan” or “PIP” means Project Implementation Plan dated April 19, 2007, acceptable to the Bank that outlines the implementation arrangements of the Project and assigns roles and responsibilities to the entities and agencies responsible for Project implementation.
13. “Project Implementing Entity” means “*Hrvatske vode*” or “HV”, a state agency of the Borrower responsible for national water resource management, established pursuant to the Water Act of 1995, as amended (Official Gazettes No. 107/95 and No. 150/05).
14. “Safeguard Policies” means policies and guidelines, incorporated in the Environmental Framework, setting forth requirements and procedures for environmental screening of Sub-projects, including analysis for land acquisition and resettlement, and preparation of environment management plans describing the environmental mitigation, monitoring and institutional measures for the Sub-projects.
15. “Set 1 Investments” means: (a) investments included in Sub-projects to be carried out by the Utilities in Virovitica, Northern Baranja and Ogulin, or other Sub-projects that may be agreed upon by the Bank, the MOAFWM and the Project Implementing Entity, and

- included in the respective Appraisal Report approved by the Bank; and (b) investments to be carried out by the Project Implementing Entity under Part B.2 (Flood Protection) of the Project.
16. “Set 2 Investments” means investments included in Sub-projects to be carried out by the Utilities in Davor-Nova Gradiska, Slavonska-Podravina, Nasice and Southern Baranja, or other Sub-projects that may be agreed upon by the Bank, the MOAFWM and the Project Implementing Entity, and included in the respective Appraisal Report approved by the Bank.
  17. “Set 3 Investments” means investments included in Sub-projects to be carried out by the Utilities in Vukovar, Ilok, Ivankovo, Otok, Komletinci and Cerna, or other Sub-projects that may be agreed upon by the Bank, the MOAFWM and the Project Implementing Entity, and included in the respective Appraisal Report approved by the Bank.
  18. “Sub-project” means an investment project eligible, in accordance with the criteria set forth in the PIP and the Appraisal Report approved by the Bank, for financing from the Loan proceeds under Part B.1 of the Project.
  19. “Subsidiary Agreement” means the agreement referred to in Section I.A.1 of Schedule 2 to this Agreement pursuant to which the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity.
  20. “Subsidiary Financing Agreement” means an agreement to be entered into between the Project Implementing Entity and an eligible Utility and Municipality for transferring part of the proceeds of the Loan for financing a Sub-project under Part B.1 of the Project.
  21. “Utility” means a Municipal Water and Sewerage Company duly established under the Borrower’s laws and eligible, in accordance with the criteria set forth in the PIP, for receiving financing for the eligible Sub-project from the Loan proceeds under Part B.1 of the Project.
  22. “Water Management Strategy” means a strategy of policies and actions, prepared by MOAFWM through the Project Implementing Entity, for improving the safety measures for drinking water, collection and treatment of wastewater, enhancing flood protection measures and harmonization of the environmental legislation with the EU requirements.