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CONFORMED COPY

LOAN NUMBER 7638 HR

Loan Agreement

(Rijeka Gateway II Project)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

PORT OF RIJEKA AUTHORITY

Dated April 17, 2009

LOAN NUMBER 7638 HR

LOAN AGREEMENT

Agreement dated April 17, 2009, between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and the PORT OF RIJEKA AUTHORITY (“Borrower”).

The Bank and the Borrower hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in Section I of the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions and 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 eighty-four million Euro (EUR 84,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the Project.
- 2.02.
 - (a) The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
 - (b) On each of the semiannual Payment Dates specified in Section 2.05 of this Agreement, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay, on such date, the interest on the Loan accrued and payable on or before the date set forth, and up to the amount allocated in, Category (2) of the table set forth in paragraph A.2, Section IV, of Schedule 2 to this Agreement, as such Category may be amended from time to time by agreement between the Bank and the Borrower.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread; 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. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.

- 2.05. The Payment Dates are March 15 and September 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the provisions set forth in Schedule 3 to this Agreement.
- 2.07. (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 withdrawn and outstanding 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 4.05 (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 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 - TERMINATION

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V - REPRESENTATIVE; ADDRESSES

- 5.01. The Borrower's Representative is its Executive Director.
- 5.02. The Borrower's Address is:

Port of Rijeka Authority
Riva 1 Street
Rijeka 51000
Republic of Croatia

Facsimile:

(385) 51-331-764

- 5.03. 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 Zagreb, Republic of Croatia, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By: /s/ Andras Horvai

Authorized Representative

PORT OF RIJEKA AUTHORITY

By: /s/ Bojan Hlaca

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to develop the capacity, financial performance, and quality of services in the port of Rijeka to meet growing traffic demand, through public-private partnerships, while facilitating urban renewal by enabling the relocation of port activities.

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

1. Port Terminal Development

Provision of civil works to extend the existing Brajdica Container Terminal by about three hundred thirty (330) meters and to build a Zagreb Container Terminal of about four hundred (400) meters long to enable the conversion of the Delta and port of Baross areas into an urban area by making alternative port space available.

2. Port Service Enhancements

Provision of support in concessioning selected terminals, equipment and technical services for information flow integration and secured port access, enhanced environmental response with the development of a comprehensive port environment protection plan and purchase of waste collection vessel to address traffic increase in line with the requirements of the Croatian legislation and the International Convention for the Prevention of Pollution from Ships, 1973, and carrying out of technical studies to prepare for the Masterplan implementation.

3. Project Implementation

Supervision of civil works activities, carrying of audit services for the Project, and provision of support in procurement and Project management.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements: Project Implementation Unit

The Borrower shall carry out the Project through the PIU, headed by a Project Director, and ensuring relevant staff from the Borrower's various departments are available to the PIU and report appropriately to the Project Director. For such purposes, the Borrower shall: (i) take all action required to maintain the PIU throughout Project implementation with sufficient financial, human and logistical resources pursuant to the arrangements described in the Project Implementation Plan; (ii) designate for selected Project activities a component manager who will report to the Project Director; and (iii) ensure the PIU is supported at all times by a financial management specialist, a procurement specialist, an environmental specialist, an administrator, additional support in procurement as required for complex assignments, and any other supplementary staff as reasonably needed for Project implementation.

B. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Environmental Management Plan

The Borrower shall take all action necessary to carry out the measures identified in the Environmental Management Plan at all times in a timely manner, ensuring that adequate information on the implementation of said measures, including on the screening of the physical cultural resources located in the proximity of the Zagreb terminal, is suitably included in the Project Reports to be prepared pursuant to the provisions of Part A of Section II of this Schedule.

D. Project Implementation Plan

(a) The Borrower, through the PIU, shall carry out the Project in accordance with the provisions and requirements set forth or referred to in the Project Implementation Plan.

(b) Unless the Bank may otherwise agree, the Borrower may not amend or waive the Project Implementation Plan or any of the provisions thereof.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower shall 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 Monitoring and Evaluation indicators. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank not later than one (1) month after the end of the period covered by such report.

2. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than six (6) months after the Closing Date.

B. Mid-Term Review

The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Monitoring and Evaluation Indicators, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about September 30, 2011, a report integrating the results of the monitoring and evaluation activities and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, on or about December 15, 2011 or such later date as the Bank shall request, the report referred to in the preceding paragraph (b), and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

C. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.

3. The Borrower shall 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 (1) Fiscal Year. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods, Works and Services (Other than Consultants' Services).** All good, works and services (other than 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 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 Section.

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, Works and Consultants' Services (Other than Consultants' Services)

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and services (other than consultants' services) shall be procured under contracts awarded on the basis of International Competitive Bidding.

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

Procurement Method
National Competitive Bidding, subject to the additional procedures stipulated in the Annex to this Schedule

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.

Procurement Methods	
(a)	Selection under a Fixed-Budget
(b)	Least-Cost Selection
(c)	Selection Based on Consultants' Qualifications
(d)	Single Source Selection
(e)	Individual Consultants
(f)	Sole-source basis for individual consultants

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. 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.

Category	Amount of the Loan Allocated (Expressed in Euro)	Percentage of Expenditures to be Financed
(1) Goods, Works, Services (other than Consultants' Services), Consultants' Services, and Training	76,000,000	95%
(2) Interest and other charges on the Loan accrued on or before September 14, 2014	7,790,000	Amounts due pursuant to Section 2.04 of this Agreement in accordance with Section 2.07 (c) of the General Conditions
(3) Front-end Fee	210,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(4) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.07 (c) of this Agreement
TOTAL AMOUNT	<u>84,000,000</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.
2. The Closing Date is December 15, 2014.

Section V. Other Undertakings

(a) Except as the Bank shall otherwise agree, the Borrower shall not incur any debt unless a reasonable forecast of the revenues and expenditures of the Borrower shows that the estimated net revenues of the Borrower for each fiscal year during the term of the debt to be incurred shall be at least 1.1 times the estimated debt service requirements of the Borrower in such year on all debt of the Borrower including the debt to be incurred.

- (b) For the purposes of this Section:
- (i) The term "debt" means any indebtedness of the Borrower maturing by its terms more than one (1) year after the date on which it is originally incurred.
 - (ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
 - (iii) The term "net revenues" means the difference between:
 - (A) the sum of revenues from all sources related to operations and net non-operating income; and
 - (B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.
 - (iv) The term "net non-operating income" means the difference between:
 - (A) revenues from all sources other than those related to operations; and
 - (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.
 - (v) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.
 - (vi) The term "reasonable forecast" means a forecast prepared by the Borrower not earlier than twelve (12) months prior to the incurrence of the debt in question, which both the Bank and the Borrower accept as reasonable and as to which the Bank has notified the Borrower of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse

effect on the financial condition or future operating results of the Borrower.

- (vii) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

**ANNEX
TO
SCHEDULE 2**

For the purposes of applying National Competitive Bidding procedures in the procurement of goods, works and services (other than consultants' services) to be financed under the Loan, the following modifications and additions shall apply:

(i) Procedures

The public bidding method shall apply to all contracts. Invitations to bid shall be advertised in the Guarantor's Official Gazette (*Narodne Novine*) and in at least one widely circulated national daily newspaper or at the Borrower'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 contracts, invitations to pre-qualify for bidding shall be advertised in the Guarantor's Official Gazette (*Narodne Novine*) and at least one widely circulated national daily newspaper or at the Borrower's website 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 Guarantor'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 Guarantor's government. Said enterprises shall be subject to the same bid and performance security requirements as other bidders.

(iv) Bidding Documents

The PIU, acting as procuring entity, shall use the appropriate standard bidding documents for the procurement of goods or services (other than consultants' 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

Civil 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 (2), re-bidding shall not be carried out without the Bank's prior concurrence.

(viii) Securities

Bid securities should not exceed two percent (2%) of the estimated cost of the contract; and performance securities not more than ten percent (10%). 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.

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.

Principal Payment Date	Installment Share (Expressed as a Percentage)
March 15, 2019	2.10 %
September 15, 2019	2.19 %
March 15, 2020	2.29 %
September 15, 2020	2.40 %
March 15, 2021	2.50 %
September 15, 2021	2.62 %
March 15, 2022	2.73 %
September 15, 2022	2.86 %
March 15, 2023	2.99 %
September 15, 2023	3.12 %
March 15, 2024	3.26 %
September 15, 2024	3.41 %
March 15, 2025	3.56 %
September 15, 2025	3.72 %
March 15, 2026	3.89 %
September 15, 2026	4.06 %
March 15, 2027	4.25 %
September 15, 2027	4.44 %
March 15, 2028	4.64 %
September 15, 2028	4.85 %
March 15, 2029	5.06 %
September 15, 2029	5.29 %
March 15, 2030	5.53 %
September 15, 2030	5.78 %
March 15, 2031	6.04 %
September 15, 2031	6.42 %

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.

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
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 and revised in October 2006.
4. “Environmental Management Plan” means the environmental management plan adopted by the Borrower on May 7, 2008, describing the environmental, mitigation, monitoring and institutional measures to be undertaken by the Borrower under Part 1 of the Project to ensure that all environmental concerns are adequately taken into account in the carrying out of the works and activities thereunder.
5. “Fiscal Year” means the twelve (12) month period corresponding to any of the Borrower’s or Guarantor’s fiscal years, which period commences on January 1 and ends on December 31 in each calendar year.
6. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.
7. “Masterplan” means the Borrower’s long term strategic program of development, dated April 2008, as the same may be updated from time to time.
8. “Monitoring and Evaluation Indicators” means the agreed monitoring and evaluation indicators for the Project set forth in a letter of even date herewith to be utilized by the Borrower to measure the progress in the implementation of the Project and the degree to which the objectives thereof are being achieved.
9. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.

10. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated October 27, 2008, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
11. “Project Implementation Plan” means the plan setting forth the operational policies and procedures for Project implementation and the job description of the PIU staff responsible for Project implementation, including the definition of duties, responsibilities, lines of supervision, and limits of authority for each staff, as the same may be amended from time to time with the prior approval of the Bank.
12. “Project Implementation Unit” or “PIU” means the Project Implementation Unit established within the Borrower for the implementation of the Rijeka Gateway Project (Loan Agreement No. 4715-HR dated July 12, 2003) and the Additional Loan for Rijeka Gateway Project (Loan Agreement No. 4715-1 HR dated June 11, 2007).

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Paragraph (a) of Section 2.07 is modified to read as follows:

“Section 2.07. Refinancing Preparation Advance; Capitalizing Front-end Fee and Interest

(a) If the Loan Agreement provides for the repayment out of the proceeds of the Loan of an advance made by the Bank or the Association (“Preparation Advance”), the Bank shall, on behalf of such Loan Party, withdraw from the Loan Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Loan Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Bank shall pay the amount so withdrawn to itself or the Association, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (l) of Section 7.02 is modified to read as follows:

“Section 7.02. Suspension by the Bank

(l) *Ineligibility.* The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank

or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”