

CONFORMED COPY

LOAN NUMBER 7598 HR

Loan Agreement

**(Development of Emergency Medical Services and
Investment Planning Project)**

between

REPUBLIC OF CROATIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated October 21, 2008

LOAN NUMBER 7598 HR

LOAN AGREEMENT

Agreement dated October 21, 2008, between the REPUBLIC OF CROATIA (“Borrower”) and the 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 this 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 Euro eighteen million one hundred thousand (EUR 18,100,000) (“Loan”), 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 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 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 Fixed Spread; provided however, 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead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 April 15 and October 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request the following Conversion of the terms of the Loan in order to facilitate prudent debt management, namely, 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.
- (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.

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 through the Ministry of Health and Social Welfare 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 the Minister of Finance of Croatia.

5.02. The Borrower's Address is:

Ministry of Finance
Katanciceva 5
10000 Zagreb
Republic of Croatia

Facsimile:

(385-1) 4922-598

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.

REPUBLIC OF CROATIA

By: /s/ Ivan Suker

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By: /s/ Andras Horvai

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to improve the efficiency and outcomes of the emergency medical services' system and to strengthen the capacity of the MoHSW to develop and implement strategic projects.

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

Part 1: Development of Emergency Medical Services

1. Establishment of a Croatian institute for emergency medical services through the provision of goods, consultants' services and training required, *inter alia*: (i) to draft legislation and regulations; (ii) to furnish and equip the premises; (iii) to develop service targets and standards, algorithms and protocols for care; (iv) to develop a methodology to finance emergency care services; and (v) to develop an information system for monitoring the EMS system.

2. Reorganization of pre-hospital EMS through the provision of goods, consultants' services and training required, *inter alia*: (i) to train and retrain EMS personnel; (ii) to update the medical equipment used in pre-hospital services; (iii) to create local dispatch centers and to integrate the EMS dispatch units with the national emergency number; (iv) to improve the emergency communications system; and (v) to update the emergency medical fleet, including increasing the number of ambulances.

3. Integration of in-hospital EMS through refurbishment of old buildings and construction of new ones and the provision of goods, consultants' services and training required, *inter alia*: (i) to establish integrated emergency medical departments in selected hospitals; (ii) to provide essential medical equipment for emergency cases in selected remote primary health centers; and (iii) to train and retrain hospital staff.

4. Development of telemedicine projects to support EMS reform to extend certain telemedicine services to the islands and other remote sites through the provision of goods, consultants' services and training.

Part 2: Institutional Support to MoHSW for EU-Oriented Strategic Planning

1. Development of priority programs to advocate investing EU funds in the health sector and use those funds to achieve a more efficient and effective system, through the provision of goods, consultants' services and goods required to develop, *inter alia*, a health facilities masterplan, a human resources strategy for health, investment projects in e-health infrastructure, including the provision of consultants' services and training.

2. Capacity building for accessing EU funds, through the provision of consultants' services and training required, *inter alia*: (i) to carry out an assessment of needs; and (ii) to the design an office within the MoHSW and to supervise planning and implementation of programs financed with EU funds.

3. Provision of consultants' services and training activities for the Project Management Team and for the carrying out of the Loan audit and the performance of other Project-related administrative tasks.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**1. The MoHSW

The Borrower, through the MoHSW, shall have overall responsibility for the efficient, adequate and successful execution of the Project. To that end, the Borrower, through the MoHSW, shall maintain the Director of the Directorate for Financial Affairs as Project Director with responsibility for Project implementation and a staff from the MoHSW as Project Manager with responsibility for day-to-day coordination of the Project.

2. The Project Management Team and the Working Groups

(a) The Project Management Team (PMT) shall consist of the Project Manager and a team of colleagues which shall provide support to the Project Manager in the coordination and the management of procurement under the Project. To that end, the Borrower, through the MoHSW, shall maintain the PMT throughout Project implementation with staff, resources and under terms of reference as set forth in the Operational Manual.

(b) The Borrower, through the MoHSW, shall appoint, not later than one (1) month after the Effective Date, and thereafter maintain throughout Project implementation, two (2) Working Groups, one for Emergency Medical Services and another one for Strategic Planning, corresponding each to a Part of the Project, with a composition, resources and under terms of reference satisfactory as set forth in the Operational Manual. The said Working Groups shall be responsible for advising and recommending the MoHSW management on the technical aspects of Project implementation.

B. Implementation Arrangements1. Environmental Management Plan

The Borrower, through the MoHSW, shall take all action required to follow and apply at all times the provisions of the Environmental Management Plan in a timely manner, ensuring that: (i) mitigation and monitoring measures acceptable to the Bank are designed and implemented with due diligence and employing appropriate environmental expertise; and (ii) adequate information on the implementation of the measures contained in the EMP is suitably included in the Progress Reports referred to below in Section II.A.1.

2. Operational Manual

(a) The Borrower, through the MoHSW, shall take all action required to carry out the Project in accordance with the requirements set forth or referred to in the Operational Manual.

(b) Unless the Bank may otherwise agree, the Borrower may not assign, amend, abrogate or waive the Operational Manual or any of the provisions thereof.

3. Training under the Project

For the purposes of the training to be provided under the Project, the Borrower, through the PMT within the MoHSW, shall:

(a) furnish to the Bank for its approval, the content of each such training, including an explanation on how such training is consistent and conducive to the objectives of the Project and whether it offers the best price/quality ratio, as well as the schedule for its implementation;

(b) select the trainees in accordance with a transparent process satisfactory to the Bank and upon the criteria set forth in the Operational Manual;

(c) not later than September 20 of each year, exchange views with the Bank on the training to be carried out during the following calendar year; and

(d) furnish to the Bank a report of such scope and detail as the Bank shall reasonably request, on the results of each training and the benefits to be derived therefrom.

4. Annual Project Plan

The Borrower, through the PMT within the MoHSW, shall:

(a) prepare a draft APP for each fiscal year, including, *inter alia*: (i) a detailed description of planned Project activities for the following fiscal year; (ii) a detailed budget and the sources and uses of funds to finance the APP; (iii) an updated procurement plan for the Loan-financed investments; and (iv) an update of the Monitoring and Evaluation Indicators;

(b) not later than September 20, submit to the Bank for its comments the draft APP before submission of the MoHSW budget to the Borrower's Ministry of Finance, taking into account the Bank's views and recommendations thereon; and

(c) adopt and submit to the Bank the final version of the APP following approval of the national budget and follow it in accordance with the terms and conditions set forth in the Operational Manual.

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 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 Effective Date.

B. Financial Management, Financial Reports and Audits

1. The Borrower, through the MoHSW, 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, through the MoHSW, shall prepare and furnish to the Bank as part of the Project Report, not later than (1) one month after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.

3. The Borrower, through the MoHSW, 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 fiscal year of the Borrower, commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made. 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.

C. Mid-Term Review

The Borrower, through the MoHSW, 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 July 31, 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 September 30, 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.

Section III. Procurement

A. General

1. **Goods.** All goods 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

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

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

Procurement Method	
(a)	National Competitive Bidding, subject to the additional procedures stipulated in the Annex to this Schedule
(b)	Shopping
(c)	Direct Contracting

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 EUR)	Percentage of Expenditures to be Financed
(1) Goods, Consultants’ Services, and Training	17,824,750	85%
(2) Refund of the Project Preparation Advance	230,000	Amount payable pursuant to Section 2.07 (a) of the General Conditions
(3) Front-End Fee	45,250	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 3.01 (b) of the General Conditions
TOTAL AMOUNT	<u>18,100,000</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 June 30, 2013.

**Annex
to
SCHEDULE 2**

For the purposes of following National Competitive Bidding procedures for goods 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 Borrower's Official Gazette (*Narodne Novine*) and in at least one widely circulated national daily newspaper or at the MoHSW's website, allowing a minimum of thirty (30) days for the preparation and submission of bids.

(ii) 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.

(iii) Bidding Documents

The MoHSW acting as procuring entity shall use the appropriate standard bidding documents for the procurement of goods as defined in paragraph 1.1 of the Guidelines, which shall contain draft contract and conditions of contract acceptable to the Bank.

(iv) 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.

(v) 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.

(vi) 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.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each April 15 and October 15 beginning October 15, 2013 and ending on April 15, 2038	2.00%

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.

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.

APPENDIX**Definitions**

1. “APP” means an annual project plan for the carrying out of the Project during a particular fiscal year (as hereinafter defined) to be adopted each year by the Borrower, represented by the MoHSW.
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. “EMS” or “emergency medical services” means the acute medical care provided by the Borrower out of hospital or in hospital to patients with illness or injuries.
5. “Environmental Management Plan” and “EMP” mean the Borrower’s environmental management plan acceptable to the Bank dated November 16, 2007, describing the environmental, mitigation, monitoring and institutional measures to be undertaken under the Project.
6. “EU” means the European Union.
7. “Fiscal Year” means the twelve (12) month period corresponding to any of the Borrower’s fiscal years, which period commences on January 1 and ends on December 31 in each calendar year.
8. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008).
9. “MoHSW” means the Recipient’s Ministry of Health and Social Welfare, or any successor thereto.
10. “Monitoring and Evaluation Indicators” means the agreed monitoring and evaluation indicators set forth in a letter of even date herewith to be utilized by the Borrower under the Project to measure the progress in the implementation of the Project and the degree to which the objectives thereof are being achieved.
11. “Operational Manual” means the Manual adopted by the Project Director setting forth the procedures to be followed and applied for the administrative, accounting, procurement, financial management, and monitoring and evaluation aspects of the Project.
12. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
13. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated June 18, 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.

14. "Project Preparation Advance" means the advance referred to in Section 2.07 (a) of the General Conditions, granted by the Bank to the Borrower pursuant to the Letter of Agreement No. P4370 signed on behalf of the Bank on November 7, 2007, and on behalf of the Borrower on February 26, 2008.