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LOAN NUMBER 8426-HR

# Loan Agreement

(Social Protection System Modernization Project)

between

REPUBLIC OF CROATIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated *September 25*, 2014



**LOAN NUMBER 8426-HR**

**LOAN AGREEMENT**

Agreement dated *September 25*, 2014, 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 seventy million Euro (EUR 70,000,000) (“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 Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount. The Borrower shall pay the Front-end Fee not later than sixty (60) days after the Effective Date.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Fixed 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.
- 2.05. The Payment Dates are May 15 and November 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 any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management, namely a change of the interest rate basis applicable to: (A) 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; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread.
- (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 its MSPY, in coordination with MOF, MPA, MLPS and MOH, 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, namely that the Borrower’s GMB Program Legislation has been amended, suspended, abrogated, repealed or waived, so as to affect materially and adversely the ability of the Borrower to carry out the Project or to perform any of its obligations under this Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of thirty (30) days after notice of the event has been given by the Bank to the Borrower.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Borrower has adopted the POM, satisfactory to the Bank;
  - (b) The Borrower, through MSPY, has hired or designated a financial management officer and a procurement officer to the PIU under terms of reference and with qualifications and scope of responsibilities satisfactory to the Bank.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Borrower's Representative is its Minister of Finance.
- 6.02. The Borrower's Address is:

Ministry of Finance  
Katančičeva 5  
10000 Zagreb  
Republic of Croatia

Telex:	Facsimile:
862-21215 862-21833	(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 Zagreb, Republic of Croatia, as of the day and year first above written.

REPUBLIC OF CROATIA

By

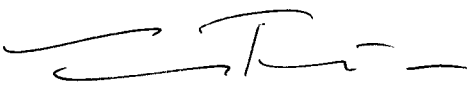
  
\_\_\_\_\_  
Authorized Representative

Name: BORIS LALOVAC

Title: MINISTER OF FINANCE

INTERNATIONAL BANK FOR RECONSTRUCTION AND  
DEVELOPMENT

By

  
\_\_\_\_\_  
Authorized Representative

Name: CARLOS PIÑERÚA

Title: COUNTRY MANAGER

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to improve the efficiency and effectiveness of Croatia's social protection system.

The Project consists of the following parts:

#### **Part 1. Improving Efficiency and Effectiveness of the Social Protection System**

Provision of financing of Payments under the EEP in support of the GMB Program, in accordance with the provisions set forth in Section IV of Schedule 2 to this Agreement, specifically in the following four key areas:

- (a) consolidation of social assistance cash benefits administration under a one-stop shop;
- (b) unifying and harmonizing the certification of disability;
- (c) reducing error, fraud and corruption in social protection cash benefits; and
- (d) deinstitutionalization of vulnerable children and adults.

#### **Part 2. Investments and Technical Assistance to Support Improvements in Efficiency and Effectiveness of the Social Protection System**

2.1 Technical assistance and implementation of investments, including:

- (a) support to the Borrower and its PAOs for the establishment and implementation of the OSS through software and hardware upgrades to the management information system (MIS) to integrate systems currently used by other cash transfer programs, renovation of offices, and provision of consultants' services and Training;
- (b) support to the CDCI through upgrades to the information technology system supporting CDCI operations, refurbishment of CDCI headquarters, and provision of Training and technical assistance on the disability certification methodology;
- (c) support to the Borrower for addressing issues of error, fraud and corruption, through software updates for the MIS and provision of Training and technical assistance to develop data matching and risk profiling tools to prevent and detect error fraud and corruption;

- (d) support on deinstitutionalization to MSPY, through provision of technical assistance, goods and equipment to improve monitoring and tracking of results, develop guidelines and minimum standards for some social services, and develop further foster care services; and
- (e) support on activation to the Borrower's Centers for Employment through technical assistance on statistical profiling techniques to provide more tailored services to the inactive and unemployed and to focus scarce resources.

2.2 Support to the Borrower through technical assistance on preparing fund proposals for European Union funds in the area of deinstitutionalization and activation.

Part 3. Project Management Support

Project implementation support to the Borrower and its agencies involved in Project implementation, including through technical assistance to manage and monitor financial management and procurement, consultants' services, and financing of audits, Training and Operating Costs.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

1. The Borrower shall:
  - (a) be responsible for the overall implementation of the Project through its MSPY and shall ensure that the Project is carried out in accordance with the procedures set forth in the POM and shall ensure that the POM is not amended, suspended, abrogated, or repealed and that no provision of the POM is waived, without prior approval of the Bank;
  - (b) through MOF, MSPY, MPA, MLPS, MOH, and other relevant governmental institutions or agencies, including subordinated departments or agencies, carry out the agreed activities in order to achieve the agreed results of the Project;
  - (c) maintain, throughout the duration of the Project, the Steering Committee, in a form and with a composition and functions, staffing (under terms of reference, qualifications and scope of responsibilities), and adequate resources, all satisfactory to the Bank, to assist in coordination of the various ministries and agencies involved in Project implementation, and to oversee and supervise overall Project implementation; and
  - (d) through MSPY, maintain the PIU within MSPY, throughout the duration of the Project, in a form and with functions, staffing (under terms of reference, qualifications and scope of responsibilities), and adequate resources, all satisfactory to the Bank and as further set forth in the POM; the PIU shall be responsible for implementation of Part 2 of the Project, including all financial management, procurement and environmental and social compliance functions under Part 2 of the Project.
2. (a) During Project implementation, the Borrower shall cause the SAO, or such other entity, acceptable to the Bank, as the Bank may agree, to carry out, in a manner satisfactory to the Bank, at least three (3) performance audits of the Project, covering *inter alia*: (i) an evaluation that eligibility criteria are correctly applied and a determination of whether GMB Program benefits funding reaches the intended beneficiary population; (ii) an assessment of the program administration, oversight and control, including an assessment of mechanisms for monitoring and evaluation,



control, and institutional responsibilities and capacity (including staffing) of internal controls in the social assistance system (including efficiency of the error and fraud control function and adequacy of measuring and reporting on monitoring indicators and DLIs); (iii) testing of the robustness of internal controls, integrity of fund accountability processes and effectiveness of risk management and oversight arrangements for the entire Project; and (iv) such other matters set forth in the terms of reference for such audit, as agreed with the Bank.

- (b) Performance audits shall cover such audit periods as shall be agreed with the Bank. The Borrower shall ensure that the performance audit reports are furnished to the Bank not later than twelve (12) months after the end of each respective audit period.

**B. Transfer of EEP to OSS**

The Borrower shall promptly inform the Bank of any changes, or proposed changes, to fiduciary arrangements relating to the EEP, and shall provide to the Bank all such information and evidence the Bank may require to assess the fiduciary procedures and processes of such program to be transferred to the OSS system, as further set forth in the POM.

**C. Anti-Corruption**

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

**D. Environmental and Social Safeguards**

- 1. The Borrower shall ensure that the Project activities are carried out in accordance with the TEMPC, and any site specific EMPCs, including the guidelines, rules and procedures defined in said instruments. To that end, the Borrower shall ensure that the following actions are taken in a manner acceptable to the Bank:
  - (a) if an EMPC would be required for any Project activity or investment on the basis of the TEMPC: (i) such EMPC shall be prepared in accordance with the requirements of the TEMPC, disclosed locally and furnished to the Bank; (ii) adequate and meaningful consultations shall be carried out on said EMPC; and (iii) the activities or investment shall be carried out in accordance with such EMPC;
  - (b) no works shall be commenced on any site until all measures required to be taken under the EMPC prior to the initiation of said works have been taken.

2. The Borrower shall ensure that no works under the Project involve the involuntary taking of land resulting in relocation or loss of shelter, loss of assets or access to assets, loss of income sources or means of livelihood, or involving the involuntary restriction of access to legally designated parks and protected areas.

## **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 indicators acceptable to the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.

### **B. 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 not later than forty-five (45) days 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 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 was made under the Preparation Advance for the Project. The audited Financial Statements for each such period shall be furnished to the Bank not later than twelve (12) months after the end of such period.

## **Section III. Procurement**

### **A. General**

1. **Goods, Works and Non-consulting Services.** All goods, works and non-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 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods, Works and Non-consulting Services**

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

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions stipulated in the Annex to this Schedule; (b) Shopping; and (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 methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Selection of Individual Consultants; and (g) Single-source procedures for the Selection of 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.

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in EUR)</b>	<b>Percentage of Expenditures to be financed (inclusive of Taxes)</b>
(1) Payments under the EEP under Part 1 of the Project	50,000,000	100% of the amount up to withdrawal ceiling set forth in the table in paragraph B.2 (a) of this Section
(2) Goods, works, non-consulting services, consultants' services (including audit), Training and Operating costs for Parts 2 and 3 of the Project	19,050,000	100%
(3) Refund of the Preparation Advance	950,000	Amount payable pursuant to Section 2.07 (a) of the General Conditions
<b>TOTAL AMOUNT</b>	<u>70,000,000</u>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

- (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee; or
- (b) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed EUR 14,000,000 may be made for payments made prior to this date but on or after June 1, 2014, for Eligible Expenditures under Category (1); or
- (c) for payments under Category (1) with respect to each tranche, as set forth in the table in paragraph B.2 (a) of this Section, for which a withdrawal request has been submitted, unless the Borrower, through MSPY, has submitted evidence satisfactory to the Bank that Payments under the EEP have been made to eligible beneficiaries by the Borrower in accordance and in compliance with the procedures set forth in the Borrower's applicable laws and regulations and satisfactory to the Bank.

2. Notwithstanding the provisions of Part A of this Section and without limitation to the provision set forth in paragraph 1 above, withdrawals under Category (1) above may be made by the Borrower as follows:

- (a) Withdrawals shall be made in one (1) to fourteen (14) tranches and in amounts not exceeding the total of the ceilings per each respective DLI provided in the table below, subject to submission to the Bank of evidence satisfactory to the Bank and as defined in the POM that the following DLIs have been achieved:

<b>Disbursement-linked indicator (DLI)</b>	<b>Withdrawal ceiling (expressed in EUR)</b>
1. The administration of the GMB program has been transferred to the OSS	5,000,000
2. The administration of the Child Allowance program has been transferred to the OSS	5,000,000
3. The administration of the Non-contributory Maternity/Paternity Allowances and Birth Grant programs have been transferred to the OSS	5,000,000

<b>Disbursement-linked indicator (DLI)</b>	<b>Withdrawal ceiling (expressed in EUR)</b>
4. The administration of the Unemployment Benefit program has been transferred to the OSS	5,000,000
5. CDCI has been legally established through enactment of the Law On Professional Rehabilitation And Employment Of Persons With Disability (Official Gazette 157, 2013), CDCI has been adequately staffed, and unified disability certification methodology has been adopted by the Borrower's Government in accordance with the Law on CDCI	2,000,000
6. CDCI is operating independently including: disability certifications processed centrally, unified disability certification procedures applied, regional office network and independent information technology system established with interfaces to OSS and other agencies	2,000,000
7. The EFC Strategy has been approved and disseminated by the Borrower's Government, and the Action Plan has been adopted and disseminated by MLPS and MSPY	2,000,000
8. Minimum effective error, fraud and corruption (EFC) capacity in place in (a) MSPY; and (b) (i) MLPS, or (ii) a combination of MLPS and either, or both, of any of its implementing agencies and CDCI	2,000,000
9. Inspections of risk-prone programs are carried out to correct the list of irregularities resulting from the cross-checks between the management information system (MIS) of these programs and the databases of the	2,000,000

<b>Disbursement-linked indicator (DLI)</b>	<b>Withdrawal ceiling (expressed in EUR)</b>
Borrower's Tax Administration, the Croatian Pension Insurance Institute, the Croatian Employment Service, MLPS, MSPY and the Civil Registry	
10. Inspections of risk-prone programs are carried out to correct the beneficiary cases with higher risk scores, determined through analytical risk profiling	3,000,000
11. Operational Plan for Transformation and Deinstitutionalization of Social Welfare Homes 2014-2016 adopted by MSPY and published	2,000,000
12. 210 Beneficiaries Living in State and Non-State Institutions, or Family Homes moved from institutions to family-type environments	5,000,000
13. 225 Beneficiaries Living in State and Non-State Institutions, or Family Home moved from institutions to family-type environments	5,000,000
14. 280 Beneficiaries Living in State and Non-State Institutions, or Family Home moved from institutions to family-type environments	5,000,000

- (b) If, at any time, the Bank determines that any portion of the amounts disbursed by the Bank to the Borrower under Category (1) was: (i) made for reimbursement of expenditures which are not eligible under the EEP; or (ii) not in compliance with the provisions of Section IV.B.2 (a) and the provisions of the POM, the Borrower shall promptly refund any such amount to the Bank as the Bank shall specify by notice to the Borrower.

3. The Closing Date is December 31, 2018.

**ANNEX  
to  
SCHEDULE 2**

**Additional Provisions for National Competitive Bidding**

For the purposes of following National Competitive Bidding procedures in the procurement of goods, works and non-consulting 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 Borrower's Official Gazette (*Narodne Novine*) and in at least one widely circulated national daily newspaper or on the website of the Ministry of Social Protection and Youth, 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 Borrower's Official Gazette (*Narodne Novine*) and in at least one widely circulated national daily newspaper or on the website of the Ministry of Social Protection and Youth, 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

The Borrower shall use appropriate bidding documents that are 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, 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.

<b>Principal Payment Date</b>	<b>Installment Share (Expressed as a Percentage)</b>
On each May 15 and November 15  Beginning November 15, 2018, Through November 15, 2033	3.13%
On May 15, 2034	2.97%

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. “Action Plan” means the action plan referred to in the table in Section IV, B.2 (a) DLI 7 of Schedule 2 to this Agreement, to be adopted by the Borrower for implementation of the EFC Strategy.
2. “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 and revised in January 2011.
3. “Beneficiaries Living in State and Non-State Institutions, or Family Homes” means: (a) children with developmental disabilities; (b) adults with physical, emotional and intellectual disabilities; (c) adults with mental disabilities; (d) children and adults (18-21) accommodated in homes for children without adequate parental care on a long-term or weekly basis; and (e) children and adults (18-21) accommodated in homes for children with behavioral disorders on a long-term or weekly basis, in each case living in state and non-state institutions or family homes.
4. “Birth Grant” means the Borrower’s one time, fixed amount grant given to parents at the birth of each child, established by the Borrower’s Maternity and Paternity Benefits Act dated July 1, 2013, Official Gazette 54/13.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “Child Allowance Program” means the Borrower’s program for child allowance cash benefits for families with one or more children based on reported and taxed incomes, established by the Borrower’s Children Allowance Act dated January 1, 2013, Official Gazette 112/12.
7. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.
8. “CDCI” means the Central Disability Certification Institute established pursuant to the Borrower’s Law on Professional Rehabilitation and Employment of Persons With Disability (Official Gazette 157, 2013).
9. “DLIs” means the Disbursement-linked Indicators as set forth in Section IV.B.2 (a) of Schedule 2 to this Agreement.

10. “EEP” means the Eligible Expenditure Program, namely a portion of the Borrower’s budgetary allocation for financing benefits under the GMB Program.
11. “EFC Strategy” means the Borrower’s strategy referred to in the table in Section IV, B.2(a) DLI 7 of Schedule 2 to this Agreement, to be developed to detect, correct and deter error, fraud and corruption within the social protection system.
12. “Environmental Management Plan Checklist” or “EMPC” means any site-specific environmental management plan checklist, prepared in accordance with the TEMPC and the provisions of Section I.D.1 of Schedule 2 to this Agreement and acceptable to the Bank, and giving details the specific actions, measures and policies designed to facilitate the achievement of the objective of the TEMPC, setting forth the mitigating, monitoring and institutional measures to be taken during the implementation and operation of Project activities and the Sub-projects, to offset or reduce adverse environmental impacts to levels acceptable to the Bank, including the budget and cost estimates, and sources of funding, along with the institutional and procedural measures needed to implement such actions, measures and policies.
13. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012.
14. “GMB Program” means the Borrower’s cash transfer program aimed at providing a social safety net for the poorest, called Guaranteed Minimum Benefit established by the Borrower’s Social Welfare Act dated January 1, 2014, Official Gazette 46/13.
15. “GMB Program Legislation” means the Borrower’s Social Welfare Act dated January 1, 2014, Official Gazette 46/13, and related relevant legislation regulating the GMB Program, as amended from time to time.
16. “Law on CDCI” means the “Central Disability Certification Institute Act”, Official Gazette 85/ 14.
17. “MLPS” means the Borrower’s Ministry of Labor and Social Policy and includes any successors thereto.
18. “MOH” means the Borrower’s Ministry of Health and includes any successors thereto.
19. “MOF” means the Borrower’s Ministry of Finance and includes any successors thereto;
20. “MPA” means the Borrower’s Ministry of Public Administration and includes any successors thereto.

21. "MSPY" means the Borrower's Ministry of Social Protection and Youth and includes any successors thereto.
22. "Non-contributory Maternity/ Paternity Allowances" means the Borrower's allowances for individuals with children who are not covered by employment-related insurance schemes, namely: *Rodiljna pošteta od rada, Roditeljska pošteta od rada, Rodiljna briga o djetetu, Roditeljska briga o djetetu*, as set forth in and established by the Borrower's Maternity and Paternity Benefits Act dated July 1, 2013, Official Gazette 54/13.
23. "OSS" means one stop shop, a single delivery network for the administration of certain cash benefits to be established in the PAOs.
24. "Operating Costs" means the MSPY's and PIU's reasonable and necessary incremental expenditures related to the management and implementation of the Project, all based on periodic budgets acceptable to the Bank, including on account of vehicle rental; rent of premises; miscellaneous utilities; bank charges; stationary and office supplies and equipment and hardware and their repair; upgrading of software; operation, maintenance and spare parts of equipment; consumables; transportation; local and international travel; communication and advertisement costs; printing and publications (electronic and/or paper); translation; and other expenditures as may be agreed with the Bank, but excluding consultants' services and salaries or honoraria of officials and employees of the Borrower's civil services.
25. "PAOs" means the Borrower's public administration offices, established under the Public Administration System Act dated December 22, 2011, Official Gazette 150/11, as revised by the Constitutional Court on January 23, 2013 Official Gazette 12/13.
26. "Payments under the EEP" means monthly transfer payments, conducted by the Borrower to eligible beneficiaries under the GMB Program, made in accordance with the eligibility criteria, terms and provisions set forth in the respective Borrower's laws and regulations applicable to the GMB Program.
27. "PIU" means the MSPY's Project Implementation Unit for Part 2 of the Project, referred to in Section I.A.1(d) of Schedule 2 to this Agreement, established pursuant to MSPY Decision dated May 29, 2014, Class:500-01/14-02/2Reg. No.:519-03-1-1/1-14-13).
28. "POM" means the Project Operational Manual referred to in Section I.A.1 of Schedule 2 of this Agreement, adopted by the MOSP for the Project, as the same may be amended from time to time with the prior written approval of the Bank.

29. "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 agreement signed on behalf of the Bank on March 25, 2014 and on behalf of the Borrower on April 24, 2014 (P4690-HR), as amended.
30. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.
31. "Procurement Plan" means the Borrower's procurement plan for the Project, dated July 10, 2014 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
32. "SAO" means the Borrower's State Audit Office, the Borrower's supreme audit institution, established pursuant to the Borrower's State Audit Act (Official Gazette 70/93, 48/95, 105/99, 36/01, 44/01, 177/04).
33. "Steering Committee" means the Borrower's Steering Committee for the Project, referred to in Section I.A.1(c) of Schedule 2 to this Agreement, established by Order of the MSPY dated May 5, 2014 (Class 500-01/14-02/2, Registration: 519-03-1-1/3-14-10).
34. "TEMPC" means the template environmental management plan checklist prepared by the Borrower, for the Project dated June 16, 2014, being the template checklist setting forth the modalities for site-specific environmental screening and procedures/actions for the preparation and implementation of EMPCs under the Project, setting forth the set of mitigation, monitoring, and institutional measures and procedures required under the Project, in order to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, as well as actions needed to implement said measures, as the same may be amended from time to time with the agreement of the Bank.
35. "Training" means Project-related training, and includes Project related study tours, training courses, seminars, workshops and other training activities, not included under service providers' contracts, including costs of training materials, space and equipment rental, reasonable and necessary local and international travel by participants in training activities, reasonable lodging and accommodation, subsistence and local and international per diem of trainees and trainers, registration, tuition and facilitators' fees, translation and interpretation, and other training related miscellaneous costs, all based on budgets acceptable to the Bank.



36. “Unemployment Benefit Program” means the Borrower’s program for cash benefit for the unemployed, established by the Borrower’s Act on Employment Mediation and Rights During Unemployment dated January 1, 2014, Official Gazette 153/13.