



P469-HR

The World BankINTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION1818 H Street N.W.
Washington, D.C. 20433
U.S.A.(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

March 25, 2014

His Excellency
Slavko Linic
Minister of Finance
Katanciceva 5
10000 Zagreb
Republic of Croatia

**Re: Republic of Croatia: Advance Agreement for Preparation of
Proposed Social Protection System Modernization Project
Preparation Advance No. P4690-HR**

Excellency:

In response to the request for financial assistance made on behalf of the Republic of Croatia ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank") proposes to extend to the Recipient an advance out of the World Bank's Project Preparation Facility in an amount not to exceed one million two hundred forty thousand Dollars (\$1,240,000) ("Advance") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in financing the activities described in the Annex ("Activities"). The objective of the Activities is to facilitate the preparation of a proposed project designed to improve the efficiency and effectiveness of the Recipient's social protection system ("Project"), in support of which the Recipient has requested the World Bank's financial assistance.

The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of IBRD or IDA to assist in financing the Project; and (b) it is authorized to enter into this Agreement and to carry out the Activities, repay the Advance and perform its other obligations under this Agreement, all in accordance with the provisions of this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and return it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date specified by the World Bank in accordance with Section 5.01 of the Annex to this Agreement.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Mamta Murthi

Regional Director

Central Europe and the Baltic Countries
Europe and Central Asia Region

AGREED:

REPUBLIC OF CROATIA

By 
Authorized Representative

Name BORIS LAVRAČ

Title DEPUTY MINISTER OF FINANCE

Date: APRIL 24, 2014



Enclosures:

- (1) "Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility", dated July 31, 2010; and
- (2) Disbursement Letter for the Advance of the same date as this Agreement, together with "World Bank Disbursement Guidelines for Projects", dated May 1, 2006.
- (3) "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers", dated January 2011
- (4) "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers", dated January 2011
- (5) "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

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility dated July 31, 2010 (“Standard Conditions”), constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement, and the following additional terms have the following meanings:

(a) “CDCU” means Central Disability Certification Unit that will be established within IPRDCED.

(b) “IDCPREPD” means the Recipient's Institute for Disability Certification, Professional Rehabilitation and Employment of Persons with Disability established pursuant to the Law on Professional Rehabilitation and Employment of Persons with Disability, adopted in December 2013 as a successor to the Fund for Professional Rehabilitation and Employment of Persons with Disability, and includes any legal successor thereto.

(c) “MPA” means the Recipient’s Ministry of Public Administration and includes any legal successor thereto.

(d) “MSPY” means the Recipient’s Ministry of Social Protection and Youth and includes any legal successor thereto.

(e) “OSS” means the One Stop Shop to be established for the Project in Public Administration Offices or other premises, as needed, under the authority of the MPA.

(f) “PAO” means a Public Administration Office under the authority of the MPA.

(g) “PIU” means the Project Implementing Unit to be established within the MPA and referred to in Section 2.03(b) of this Agreement.

(h) “Project Steering Committee” means the project steering committee to be established, and referred to in Section 2.03(a) of this Agreement.

Article II
Execution of the Activities

2.01. **Description of the Activities.** The Activities for which the Advance is provided consist of the following parts:

(a) Preparation of an operational investment plan for the development of the OSS, including an analysis of issues and options for subsequent phases of the OSS.

(b) Design of the business processes and the business software of IDCPREPD to: (i) analyze the current systems and the piloting of CDCU; and (ii) propose business processes and technical solutions for the regional information technology system of IDCPREPD.

(c) Development of a public information and education program for the OSS and CDCU services.

(d) Provision of technical assistance to the MSPY'S deinstitutionalization implementation team to support the finalization of its implementation plan.

(e) Provision of equipment to upgrade the PAO's capacity and pilot the OSS organizational and information technology system.

(f) Provision of equipment for the initial operations and piloting of the new IDCPREPD information system and the CDCU.

(g) Design and piloting of a unified disability certification methodology and provision of training to disability certifying experts in the use of said methodology and its procedures.

2.02. ***Execution of the Activities Generally.*** The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall carry out the Activities, through MPA, in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; and (c) 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.

2.03. ***Institutional and Other Arrangements.*** For purposes of carrying out the Project, the Recipient shall:

(a) establish, not later than April 15, 2014, and thereafter maintain throughout the duration of the Advance, the Project Steering Committee with a composition and terms of reference satisfactory to the World Bank. The Project Steering Committee shall be responsible for overseeing and supervising overall Project implementation.

(b) maintain, throughout the duration of the Advance, the PIU, adequately staffed, and in a form and with functions, qualifications and terms of reference satisfactory to the World Bank. The PIU shall be responsible for coordination of the Activities including procurement, financial management, disbursement, and monitoring and evaluation.

2.04. ***Monitoring, Reporting and Evaluation of the Activities.*** The Recipient shall monitor and evaluate the progress of the Activities in accordance with the provisions of Section 2.08 of the Standard Conditions.

2.05. ***Financial Management.*** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.09 of the Standard Conditions.

(b) The Recipient shall ensure that interim un-audited financial reports for the Activities are prepared and furnished to the World Bank not later than forty-five days (45) after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Sections 2.09 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Advance was made. The audited Financial

Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

- (i) If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, the Recipient shall have the Financial Statements included in the first audit of financial statements required under the Refinancing Agreement.
- (ii) If, by the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, such audit of the Financial Statements shall cover the period of the Advance, commencing with the fiscal year in which the first withdrawal under the Advance was made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of the Recipient's fiscal year in which the Refinancing Date occurs.
- (iii) Notwithstanding the provisions of paragraphs (i) and (ii) of this Section, the World Bank may request an audit of the Financial Statements prior to the Refinancing Date, covering such period as is indicated in its request. The audited Financial Statements for such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.06. *Procurement*

(a) General. All goods and consultants' services required for the Activities and to be financed out of the proceeds of the Advance shall be procured in accordance with the requirements set forth or referred to in:

- (i) Section I of 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 ("Procurement Guidelines"), in the case of goods;
- (ii) Sections I and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Consultant Guidelines") in the case of consultants' services; and
- (iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Activities in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines ("Procurement Plan").

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World 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.

(c) Particular Methods of Procurement of Goods

- (i) Except as otherwise provided in sub-paragraph (ii) below, goods, and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
- (ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods, and non-consulting services for those contracts specified in the Procurement Plan: (A) National Competitive Bidding, subject to the following additional provisions:

(1) Procedures

The public bidding method shall apply to all contracts. Invitations to bid shall be advertised in the Recipient's Official Gazette (*Narodne Novine*) and in at least one widely circulated national daily newspaper or on the website of the Ministry of Public Administration, allowing a minimum of thirty (30) days for the preparation and submission of bids.

(2) Participation of Government-owned Enterprises

Government-owned enterprises located and operating on the Recipient'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 Recipient's government. Said enterprises shall be subject to the same bid and performance security requirements as other bidders.

(3) Bidding Documents

The Recipient shall use appropriate bidding documents that are acceptable to the Bank.

(4) Bid Submission, Opening and Evaluation

- (aa) 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.
- (bb) 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.
- (cc) 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.
- (dd) 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.
- (ee) Contracts shall be awarded to qualified bidders having submitted the lowest evaluated substantially responsive bid.
- (ff) No preference shall apply under National Competitive Bidding.

(5) Rejection of All Bids

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

(6) 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.

(B) Shopping.

(d) Particular Methods of Procurement of Consultants' Services

- (i) Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
- (ii) The following methods may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Selection based on Consultants' Qualifications; (B) Single-source Selection of consulting firms; (C) Selection of Individual Consultants; and (D) Single-source procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Article III
Withdrawal of the Advance

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Advance in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies each category of Eligible Expenditures that may be financed out of the proceeds of the Advance ("Category"), the amount of the Advance allocated to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Advance Allocated (expressed in Dollars)	Percentage of Expenditures to be Financed (inclusive of Taxes)
Goods, non-consulting services (including audit), consultants' services Training and Incremental Operating Costs under the Activities	1,240,000	100%
TOTAL AMOUNT	<u>1,240,000</u>	

For the purposes of this paragraph, the term:

- (i) "Training" means the reasonable costs, as shall have been approved by the World Bank, for training and workshops conducted under the Advance, including tuition, travel, reasonable accommodation and subsistence costs for training and

workshop participants, study tours, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course and workshop preparation and implementation (but excluding goods and consultants' services); and

- (ii) "Operating Costs" means the reasonable costs, as shall have been approved by the World Bank, for the incremental expenses incurred by the PIU on account of implementation of the Activities, consisting of vehicle operation and maintenance, communication and insurance costs, banking charges, rental expenses, office (and office equipment) maintenance, utilities, document duplication/printing, translation services, consumables, travel cost and *per diem* for staff for travel linked to the implementation of the Activities (but excluding consultants' services and salaries of officials of the Recipient's civil service).

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Refinancing Date.** The Refinancing Date is January 30, 2015.

Article IV Terms of the Advance

4.01. **Interest.** The Recipient shall pay interest on the Withdrawn Advance Balance at a rate, for each Interest Period, equal to the Reference Rate plus the Fixed Spread. Interest shall accrue from the respective dates on which amounts of the Advance are withdrawn and shall be paid in arrears in accordance with the provisions of Section 4.02 of this Agreement. The Interest Period Determination Dates are January 1 and July 1 in each year.

4.02. **Repayment.** The Withdrawn Advance Balance, together with interest accrued thereon shall be repaid by the Recipient to the World Bank in accordance with the provisions of Article IV of the Standard Conditions and the following provisions:

(a) **Refinancing under the Refinancing Agreement:** If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the Withdrawn Advance Balance shall be repaid to the World Bank (together with interest accrued on the Advance to the date of repayment) as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of an amount of the Refinancing Proceeds equivalent to the Withdrawn Advance Balance plus such interest, in accordance with the provisions of the Refinancing Agreement.

(b) **Repayment in the absence of a Refinancing Agreement:** If, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by this date, it has been so executed but terminates without becoming effective, then:

- (i) if the amount of the Withdrawn Advance Balance does not exceed US\$50,000, it shall be repaid by the Recipient to the World Bank (together with interest accrued on the Withdrawn Advance Balance to the date of repayment), on such date as the World Bank shall specify in a notice to the Recipient, which shall in no event be earlier than 60 days following the date of dispatch of such notice; and

- (ii) if the amount of the Withdrawn Advance Balance exceeds US\$50,000, it (together with interest accrued on the Withdrawn Advance Balance to the Notice Date) (the "Aggregate Balance") shall be paid by the Recipient to the World Bank in ten approximately equal semiannual installments, in the amounts and on the dates ("Payment Dates") which the World Bank shall specify in a notice to the Recipient. In no event shall the first Payment Date be set earlier than 60 days following the date ("Notice Date") of dispatch of such notice. The Recipient shall pay interest on the Aggregate Balance at a rate, for each Interest Period, equal to the Reference Rate plus the Fixed Spread, payable in arrears on each Payment Date. Notwithstanding the foregoing, if any amount of the Aggregate Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the Recipient shall pay the Default Interest Rate on such overdue amount in lieu of the interest rate specified above in this subparagraph (ii) until such overdue amount is fully paid. Interest at the Default Interest Rate shall accrue from the first day of each Default Interest Period and shall be payable semi-annually in arrears on each Payment Date.

Article V **Effectiveness; Termination**

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the following condition has been satisfied: the PIU has been established and is operational, and in a form and with functions, staffing, resources, terms of reference and qualifications satisfactory to the World Bank.

5.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Advance Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

Article VI **Recipient's Representative; Addresses**

6.01. ***Recipient's Representative.*** The Recipient's Representative referred to in Section 9.02 of the Standard Conditions is its Minister of Finance.

6.02. ***Recipient's Address.*** The Recipient's Address referred to in Section 9.01 of the Standard Conditions is:

Ministry of Finance
Katanciveva 5
10000 Zagreb
Republic of Croatia

Facsimile:

(385-1) 4922-598

6.03. ***World Bank's Address.*** The World Bank's Address referred to in Section 9.01 of the Standard Conditions is:

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

Cable:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423 (MCI) or
64145 (MCI)

1-202-477-6391