Loan Agreement

(Revenue Administration Reform Project)

between

MONTENEGRO

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated January 19, 2018
LOAN AGREEMENT

Agreement dated January 19, 2018, between MONTENEGRO ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in 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 fourteen million Euro (EUR 14,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The 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 Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.
2.06. The Payment Dates are February 15 and August 15 in each year.

2.07. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement.

2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unw withdrawn, to an Approved Currency; (ii) 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; and (iii) the setting of limits on the Variable Rate or the Reference 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 or the Reference 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 objective of the Project. To this end, the Borrower shall carry out the Project through the MTA 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 — EFFECTIVENESS; TERMINATION

4.01. The Additional Conditions of Effectiveness consist of the following:

(a) The PMU has been established within the MTA with staff, resources, functions and responsibilities satisfactory to the Bank;

(b) The Project Steering Committee has been established by the Borrower with terms of reference defining the functions and responsibilities satisfactory to the Bank; and

(c) The Revenue Modernization Advisory Board has been established by the Borrower with terms of reference defining the functions and responsibilities satisfactory to the Bank.

4.02. 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 Minister of Finance.

5.02. The Borrower’s Address is:

Ministry of Finance  
Stanka Dragojevica 2  
81000 Podgorica  
Montenegro

Facsimile:  
382 20 224 450
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

<table>
<thead>
<tr>
<th>Cable address:</th>
<th>Telex:</th>
<th>Facsimile:</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTBAFRAD</td>
<td>248423(MCI) or</td>
<td>1-202-477-6391</td>
</tr>
<tr>
<td>Washington, D.C.</td>
<td>64145(MCI)</td>
<td></td>
</tr>
</tbody>
</table>

AGREED at Podgorica, Montenegro as of the day and year first above written.

MONTENEGRO

By [Signature]

Authorized Representative

Name: [Signature]

Title: MINISTER OF FINANCE

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By [Signature]

Authorized Representative

Name: [Signature]

Title: COUNTRY MANAGER
SCHEDULE 1

Project Description

The objective of the Project is to improve effectiveness of operational functions of Montenegro’s tax administration and to reduce the compliance costs for corporate taxpayers.

The Project consists of the following parts:

Part I: Institutional Development

1. Institutional development. Support the MTA to, *inter alia*: (i) strengthen its strategic focus, planning and operational capacity; (ii) improve its staff management process and training program; (iii) enhance its analytical processes; (iv) improve its internal control and integrity functions; (v) assess Borrower’s tax administration legal framework; and (vi) improve its existing appeal process.

2. Change management. Support the MTA to strengthen its capacity to manage the change process.

3. Project management. Support the establishment of a PMU within the MTA for project management, implementation, fiduciary functions, and monitoring.

Part II: Business Processes

1. Modernize MTA’s operational functions. Support the MTA in the modernization of MTA’s operational functions through, *inter alia*, improving the: (i) taxpayers’ registration processing; (ii) tax return and payment processing; (iii) taxation enforcement and compliance; (iv) tax audit; and (v) tax-related anti-fraud and criminal investigations.

2. Data cleansing and information technology (IT) infrastructure. Support the MTA to, *inter alia*: (i) cleanse and rationalize the data of its IT system through the provision of technical assistance; and (ii) enhance its IT infrastructure (including the enterprise architecture, data center, and security and disaster recovery plans) through the provision of equipment (including hardware and software) and technical assistance.

3. IRMS. Support the procurement and implementation of the IRMS though, *inter alia*: (i) developing MTA’s specifications for the IRMS; and (ii) procuring, localizing and implementing a commercial IRMS;
Part III: Taxpayer Services

Support the MTA to, *inter alia*: (i) modernize taxpayer services; (ii) increase understanding of revenue laws, procedures, and rights and obligations of taxpayers; and (iii) strengthen external and internal communications.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The Borrower shall operate and maintain throughout the implementation of the Project, the PMU, the Project Steering Committee, the Revenue Modernization Advisory Board, the PIC, the Working Groups and the TSU, respectively, with staff, resources as needed, functions and responsibilities satisfactory to the Bank and in accordance with the relevant provisions of the Operational Manual.

B. Operational Manual

1. The Borrower, through the MTA, shall carry out the Project in accordance with the provisions of a the Operational Manual, which shall include, inter alia: (a) a detailed description of Project activities and institutional arrangements for the Project; (b) the Project administrative, accounting, auditing, reporting, financial (including cash flow aspects in relation thereto), procurement and disbursement procedures; (c) the monitoring indicators for the Project; and (d) the institutional and administrative mechanisms established to ensure inter-agency coordination for Project implementation, including the functions, responsibilities and staffing requirements under the Project.

2. Except as the Borrower and the Bank may otherwise agree in writing, the Borrower shall not abrogate, amend, suspend, waive or otherwise fail to enforce the Operational Manual or any provision thereof.

3. In case of any conflict between the terms of the Operational Manual and this Agreement, the provisions of this Agreement shall prevail.

C. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

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. The Borrower shall prepare and furnish to the Bank 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 fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement

A. General

1. Goods and Non-consulting Services. All goods 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 and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Non-consulting Services.** 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 additional provisions set forth in Schedule 4 to this Agreement; (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) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the 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 “Disbursement Guidelines for Investment Project Financing” dated February 2017, 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.
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in EUR)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services, consultants’ services, Operating Costs and Training under the Project</td>
<td>13,965,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>35,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>(3) Interest Rate Cap or Interest Rate Collar premium</td>
<td>0</td>
<td>Amount due pursuant to Section 2.08(c) of this Agreement</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>14,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

3. For purposes of this table:

(a) the term “Operating Costs” means the reasonable incremental expenses incurred by the Project Steering Committee, the Project Implementation Committee, the PMU, the TSU, and the Working Groups on account of Project implementation, including the costs of translation, communication, printing and supplies, local travel costs and field trip expenses, and fees paid to the consultant hired for purposes of Project coordination, other than civil servants’ salaries; and

(b) the term “Training” means reasonable expenditures (other than those for consultants’ services), as approved by the Bank, incurred for the carrying out of training activities under the Project, including, *inter alia*, reasonable costs of travel and *per diem* of trainers and trainees, cost of study tours, cost of workshops, rental of training facilities and equipment, and training materials.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed two hundred thousand Euro (EUR 200,000) may be made for payments made prior to this date but on or after June 6, 2017 for Eligible Expenditures.

2. The Closing Date is March 31, 2023.
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.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 15 and August 15 Beginning August 15, 2022 through February 15, 2042</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date
following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
SCHEDULE 4

Additional Procedures for National Competitive Bidding

(i) **Registration:** (a) bidding shall not be restricted to pre-registered firms; (b) where registration is required, bidders: (i) shall be allowed a reasonable time to complete the registration process; and (ii) shall not be denied registration for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.

(ii) **Eligibility:** foreign bidders shall not be precluded from bidding, and no preference of any kind shall be given to national bidders.

(iii) **Procedures:** “Open procedures” shall be followed in all cases. Invitations to bid shall be advertised in at least one widely circulated national daily newspaper, allowing a minimum of thirty (30) days for the preparation and submission of bids.

(iv) **Pre-qualification:** when pre-qualification shall be required for large or complex works, invitations to pre-qualify for bidding shall be advertised in at least one (1) widely circulated national daily newspaper a minimum of thirty (30) days prior to the deadline for the submission of pre-qualification applications. Minimum experience, technical and financial requirements shall be explicitly stated in the pre-qualification documents.

(v) **Participation by government-owned enterprises:** government-owned enterprises in Montenegro shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the government. Such enterprises shall be subject to the same bid and performance security requirements as other bidders.

(vi) **Bidding documents:** procuring entities shall use the appropriate standard bidding documents for the procurement of works which shall contain draft contract and conditions of contract, satisfactory to the Bank.

(vii) **Submission of bids:** bidders may, at their option, deliver bids either in person, by courier service, or by mail at any time prior to the deadline set for the submission of bids.

(viii) **Bid opening and bid evaluation:** bids shall be opened in public and, if two envelopes are submitted for technical and price components, both shall be opened simultaneously. The time for the bid opening shall be the same as for the deadline for receipt of bids or immediately thereafter, and shall be announced, together with the place for bid opening, in the solicitation documents. Evaluation of bids shall be made in strict adherence to the monetarily quantifiable criteria declared in the
bidding documents. Extension of bid validity shall be allowed once only for not more than thirty (30) days. No further extensions should be requested without the prior approval of the Bank. Contracts shall be awarded to qualified bidders having submitted the lowest evaluated substantially responsive bid. Negotiations shall not be allowed with the lowest evaluated bidder or any other bidder.

(ix) **Price adjustment**: civil works contracts of long duration (e.g. more than eighteen (18) months) shall contain an appropriate price adjustment clause.

(x) **Rejection of bids**: all bids shall not be rejected and new bids solicited without the Bank’s prior concurrence.

(xi) **Contracts**: all contracts shall be in writing, signed and stamped by authorized signatories of the purchaser and the supplier, and shall contain identical terms and conditions of contract to those included in the tender documents.

(xii) **Securities**: bid securities shall not exceed two percent (2%) of the estimated cost of the contract; performance securities shall not exceed 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 be acceptable to the Bank.

(xiii) **Right to inspect and audit**: In accordance with the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Loan shall provide that bidders, suppliers and contractors, and their subcontractors, agents, personnel, consultants, service providers, or suppliers, shall permit the Bank to inspect all accounts, records, and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Bank. Acts intended to materially impede the exercise of the Bank’s inspection and audit rights provided for in the Procurement Guidelines constitute an obstructive practice as defined in the Guidelines.

(xiv) **Fraud and Corruption**: The bidding document and contract as deemed acceptable by the Bank shall include provisions stating the Bank’s policy to sanction firms or individuals, found to have engaged in fraud and corruption as defined in the Procurement Guidelines.
APPENDIX

Section I. Definitions


3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

4. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012, with the modifications set forth in Section II of this Appendix.

5. “IRMS” means the Integrated Revenue Management System to be developed under Part II.3 of the Project.

6. “Ministry of Finance” or “MOF” means the Borrower’s Ministry of Finance and includes any successor thereto.

7. “Montenegro Tax Administration” or “MTA” means the Borrower’s tax administration, established through the Law on State Administration published on Official Gazette RCG 28/2003 as amended through Official Gazette CG 54/2016, and includes any successor thereto.

8. “Operational Manual” means the operational manual adopted by the Borrower for the Project, referred to in Section I.B.1 of Schedule 2 to this Agreement, satisfactory to the Bank.

9. “PIC” means the Project Implementation Committee, established by the Borrower through the Internal Order No. 03/1-9703/1-17 of May 31, 2017, and aimed to ensure, inter alia, that the Project activities are properly coordinated and implemented, and includes any successor thereto.

10. “PMU” means project management unit referred to in Section I.A. of Schedule 2 to this Agreement responsible for, inter alia: (i) carrying out the project management and reporting; and (ii) coordinating with the TSU the procurement, financial management, and disbursement activities under the Project.

12. "Procurement Plan" means the Borrower’s procurement plan for the Project, dated June 6, 2017 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.

13. "Project Steering Committee" means the Project steering committee referred to in Section I.A. of Schedule 2 to this Agreement, responsible for, *inter alia*: (i) providing strategic guidance to the MTA on issues related to Project implementation and revenue administration reforms; and (ii) ensuring inter-agency coordination in connection with the implementation of the Project, and includes any successor thereto.

14. "Revenue Modernization Advisory Board" means the revenue modernization advisory board referred to in Section I.A. of Schedule 2 to this Agreement, comprised of representatives of associations of taxpayers, business associations, tax accountants and auditors, responsible for, *inter alia*, providing feedback to the Project Steering Committee on the institutional changes to be made under the Project, and includes any successor thereto.

15. "TSU" means the Technical Services Unit within the MOF, responsible for carrying out the procurement, disbursement and financial management activities relating to the Project.

16. "Working Groups" means the four working groups established by the Borrower through the Internal Orders No. 03/1-9701 through 9704/1-17 of May 31, 2017, responsible for, *inter alia*: (i) carrying out day-to-day implementation of Project activities of components I.1, II.1, II.3 and III of the Project, respectively, with the support of the PMU; (ii) developing the terms or reference and technical specifications relating to the consulting services under the project; and (iii) supervising the execution of said consulting services in their respective areas of responsibility, and includes any successors thereto.

**Section II. Modifications to the General Conditions**

The General Conditions are hereby modified as follows:

1. In the *Table of Contents*, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.

2. Section 3.01. *(Front-end Fee)* is modified to read as follows:
“Section 3.01. Front-end Fee; Commitment Charge

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the “Front-end Fee”).

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the “Commitment Charge”). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date.”

3. In the Appendix, Definitions, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.

4. The Appendix is modified by inserting a new paragraph 19 with the following definition of “Commitment Charge”, and renumbering the subsequent paragraphs accordingly:

“19. “Commitment Charge” means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b).”

5. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of “Front-end Fee” is modified by replacing the reference to Section 3.01 with Section 3.01 (a).

6. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term “Loan Payment” is modified to read as follows:

“68. “Loan Payment” means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower.”

7. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of “Payment Date” is modified by deleting the word “is” and inserting the words “and Commitment Charge are” after the word “interest”.

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