Loan Agreement

(Second Science and Technology Project)

between

REPUBLIC OF CROATIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated May 22, 2013
LOAN AGREEMENT

Agreement dated May 22, 2013, between REPUBLIC OF CROATIA ("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 twenty million Euro (EUR 20,000,000), ("Loan"), to assist in financing the project described in Schedule I to this Agreement ("Project").

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

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.

2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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.

2.05. 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 provisions of Schedule 3 to this Agreement.

2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding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 MSES 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 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
Katančićeva 5
10000 Zagreb
Republic of Croatia

Telex: 862-21215
Facsimile: (385-1) 4922-598
862-21833

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
AGREED at Zagreb, Croatia, as of the day and year first above written.

REPUBLIC OF CROATIA

By

[Signature]

Authorized Representative

Name: Slavko Linic

Title: Minister of Finance

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

[Signature]

Authorized Representative

Name: Hongjoo Hahn

Title: Country Manager
SCHEDULE 1

Project Description

The objectives of the Project are to support the Borrower to absorb EU Funds in the research and innovation sector by capacitating selected public sector organizations, and stimulating the demand for those funds from the business and scientific communities.

The Project consists of the following parts:

Part A: Capacity Building for Absorption of EU Funds

1. Support to the Borrower, its MSES, UKF, BICRO and other selected public sector organizations in the research and innovation sector to improve their capacity to qualify for and manage EU Funds in the area of research and innovation through Technical Assistance and Training including:
   
   (a) for the development of strategic documents, such as a smart specialization strategy, a research and innovation strategy for smart specialization, and a research infrastructure roadmap;
   
   (b) to strengthen the governance of research and innovation policies and programs, including through a review of selected policies and programs and development of new policies and programs, as required, and support for the development of databases, technologies and competences;
   
   (c) for the evaluation of the network of public research institutes, including the preparation of strategic planning and financial management strategies and preparation of performance-based contracts between MSES and public research institutes; and
   
   (d) for providing support for the accreditation process for EU Funds, including adjustment of the relevant institutions’ operational procedures to enable the use of EU Funds, and improving capacity to implement research and innovation policies and programs according to existing best practices.

2. Support to MSES, BICRO, UKF and other selected public sector organizations in the research and innovation sector for the development of applications for research and development grant schemes and infrastructure projects for EU Funds, including through the following activities:

   (a) Technical assistance to MSES, BICRO and UKF for the preparation of new or adjusted research and development grant scheme project applications for EU Funds; and

   (b) Technical assistance and Training for the preparation of at least three project applications for the infrastructure project pipeline for EU funds (including...
feasibility studies, cost-benefit analysis and technical documentation), as selected with the agreement of the Bank.

3. Support to MSES, including BICRO and UKF, for project management and implementation, including through financing of Operating Costs, Training and audit for the Project.

Part B: Research and Innovation Programs

1. Support for research and innovation programs through the provision of Sub-financing, through BICRO, to Beneficiaries for Sub-projects in accordance with the Operational Procedures, including: (i) to private firms and researchers for implementation of Program II; (ii) to eligible enterprises for implementation of Program III; and (iii) to eligible small and medium enterprises and public research organizations and universities for implementation of Program I.

2. Support for:

(a) strengthening human resources, research excellence and research commercialization through the provision of Sub-financing, through UKF, to Beneficiaries for Sub-projects in accordance with the Operational Procedures including: (i) for collaborative research activities with the Croatian diaspora and leading international scientific institutions under the Research Cooperability Program; (ii) for young scientists for implementation of the Young Researchers and Professionals Program; and (iii) for mobility of scientists in order to enhance the flow of knowledge and skills in the Republic of Croatia under the Connectivity Program; and

(b) strengthening innovation activities through the provision of Sub-financing, through MSES, to Beneficiaries of Sub-projects, in accordance with the Operational Procedures, including for investments and activities in research commercialization and intellectual property protection of research results under the Technology Transfer Office Support Program.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower, through its MSES, shall:

(a) Maintain overall responsibility and oversight of the Project and shall be responsible for strategic guidance on Project implementation.

(b) Carry out the Project through its MSES and shall ensure that the Project is implemented through its PIU in accordance with the PIP, POM and the Operational Procedures and shall not amend, suspend, waive or abrogate the provisions of the PIP, POM or any of the Operational Procedures without prior agreement of the Bank.

(c) Maintain the PIU within MSES throughout the duration of the Project, in a form and with functions, staffing, terms of reference, qualifications, scope of responsibilities satisfactory to the Bank and other adequate resources, and shall cause the PIU to be responsible for management of the Project activities, procurement, disbursement, financial management, monitoring, reporting and coordination.

(d) Maintain each of (a) the Steering Committee; and (b) the Working Group, throughout the duration of the Project, each with a structure and in a form and with functions, staffing, terms of reference, qualifications, scope of responsibilities satisfactory to the Bank and other adequate resources, and shall cause the Steering Committee to be responsible for general Project strategic guidance and shall cause the Working Group to be responsible for overall coordination.

(e) Maintain BICRO and UKF under the authority of MSES, with a structure and in a form and with functions, staffing, terms of reference, qualifications, scope of responsibilities and other adequate resources satisfactory to the Bank, and shall carry out Sub-financing through (i) BICRO for Sub-financing under Part B.1 of the Project, (ii) UKF for Sub-financing under Part B.2(a) of the Project; and (iii) MSES under Part B.2(b) of the Project.

B. Anti-Corruption

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

C. Terms and Conditions of the Sub-financing
1. The Borrower, through MSES, BICRO or UKF, as applicable, shall provide Sub-financing to Beneficiaries. Each Beneficiary shall have established, to the satisfaction of MSES, BICRO or UKF, as appropriate, on the basis of the relevant Operational Procedures, that it has a sound structure and the organization, management, business plan, staff and other resources required for the efficient carrying out of the Sub-project.

2. The Borrower, through MSES, BICRO or UKF, as applicable, shall select Sub-projects for financing from the proceeds of the Loan in accordance with the criteria and procedures set forth in the respective Operational Procedures.

3. Sub-financing made by the Borrower through the MSES, BICRO or UKF, as applicable, may be in a form of a loan, a grant, an equity investment and any other type of financing, as shall be agreed with the Bank and as specified in the respective Operational Procedures, and shall be provided and implemented in accordance with the terms of the Anti-Corruption Guidelines.

4. The Borrower, through MSES, BICRO and UKF, as applicable, shall maintain pre-screening, evaluation and supervision procedures for Sub-projects, acceptable to the Bank.

5. The Borrower, through MSES, BICRO or UKF, as applicable, shall make each Sub-financing under a Sub-financing Agreement with the respective Beneficiary on terms and conditions approved by the Bank, which shall include the following:

   (i) The Borrower, through MSES, BICRO or UKF, as applicable, shall obtain rights adequate to protect its interests and those of the Bank, including the right to:

       (1) suspend or terminate the right of the Beneficiary to use the proceeds of the Sub-financing, or obtain a refund of all or any part of the amount of the Sub-financing then withdrawn, upon the Beneficiary’s failure to perform any of its obligations under the Sub-financing Agreement; and

       (2) require each Beneficiary to: (A) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards (including any EIAs, EMPs or other documents required under the Environmental Management Framework) and practices satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower; (B) provide, promptly as needed, the resources required for the purpose; (C) procure the goods and services to be financed out of the Sub-financing in accordance with the provisions of this Agreement; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Sub-project and the achievement of its objectives; (E) (1) maintain a financial
management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and (2) at the Bank's or the Borrower's request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower and the Bank; (F) enable the Borrower and the Bank to inspect the Sub-project, its operation and any relevant records and documents; and (G) prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing.

(ii) The Borrower, through MSES, BICRO or UKF, as applicable, shall exercise its rights under each Sub-financing Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any Sub-financing Agreement or any of its provisions.

D. Safeguards.

1. (a) The Borrower shall ensure that the Project is carried out in accordance with the Environmental Management Framework, and shall ensure that no provision of the Environmental Management Framework is amended, suspended, abrogated, repealed or waived without prior approval by the Bank.

(b) For the avoidance of doubt, paragraph (a) shall apply also to technical assistance provided under Part A.2(b) of the Project, including the preparation of Sub-project applications for EU Funds, and the Borrower shall ensure that (i) the terms of reference for any consultancies related to the technical assistance under Part A.2(b) of the Project shall be satisfactory to the Bank and, to that end, such terms of reference shall require that the advice conveyed and documentation prepared through such technical assistance be consistent with the requirements of the Environmental Management Framework; (ii) technical assistance activities are screened for environmental and social impacts and to determine eligibility in accordance with the Environmental Management Framework; and (iii) the required environmental documentation, such as EIA or EMP, is prepared as part of the technical assistance activity in accordance with the provisions of the Environmental Management Framework.

2. Prior to any Sub-financing MSES, BICRO and UKF shall screen Sub-projects for environmental and social impacts to determine eligibility of a proposed Sub-financing in accordance with the Environmental Management Framework, and for each Sub-project requiring an EIA or EMP, or both EIA and EMP, pursuant to the provisions set forth in the Environmental Management Framework, the Borrower shall ensure that: (a) an EIA or EMP, or both EIA and EMP are prepared; (b) such EIA or EMP, or both EIA and EMP, comply with the
provisions of the Environmental Management Framework; (c) meaningful consultations are conducted and the EIA or EMP, or both EIA and EMP, are adequately disclosed; and (d) that each Subproject is carried out in accordance with such EIA or EMP or both EIA and EMP.

3. No technical assistance activity or Sub-financing shall be eligible to be financed from the proceeds of the Loan if it involves:

   (a) any activities involving 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; or

   (b) any activities likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented, that would be classified as 'Category A' in accordance with the Bank's applicable policies and procedures.

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 quarter, 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, 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 six (6) months after the end of such period.
4. The Borrower, through MSES, shall ensure that BICRO maintains a financial management system and prepares financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations and financial condition of BICRO, including its operations, resources and expenditures related to the Project, and shall have BICRO’s financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one fiscal year of BICRO, commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project, and the Borrower shall ensure that BICRO’s audited financial statements for each period shall be: (a) furnished to the Bank not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.

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 method, 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) Shopping; (b) National Competitive Bidding procedures, subject to the additional procedures stipulated in the Annex to this Schedule; (c) Direct Contracting; and (d) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Bank.
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) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Bank; (g) Selection of Individual Consultants; and (h) 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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in EUR)</th>
<th>Percentage of Expenditures to be financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services, Training, consultants’ services for Part A of the Project, and Operating Costs and audit for the Project</td>
<td>6,875,000</td>
<td>100%</td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is June 30, 2017.
ANNEX

to

SCHEDULE 2

Additional Provisions for National Competitive Bidding

For the purposes of following National Competitive Bidding procedures in the procurement of goods 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 Science, Education and Sports, allowing a minimum of thirty (30) days for the preparation and submission of bids.

(ii) Participation of Government-owned Enterprises

Government-owned enterprises located and operating on the Borrower's territory shall be eligible to participate in bidding only if they can establish, to the Bank's satisfaction, that they are legally and financially autonomous, operate under commercial laws and are not a dependent agency of the Borrower's government. Said enterprises shall be subject to the same bid and performance security requirements as other bidders.

(iii) Bidding Documents

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

(iv) Bid Submission, Opening and Evaluation

1. Bids shall be submitted in a single envelope containing the bidder's qualification information, technical and price bids, which shall be opened simultaneously at the public bid opening.

2. Bids shall be opened in public, immediately after the deadline for submission of bids. The name of the bidder, the total amount of each bid and any discounts offered shall be read aloud and recorded in the minutes of the public bid opening.

3. The evaluation of bids shall be done in strict adherence to the monetarily quantifiable criteria specified in the bidding documents and a merit point system shall not be used.

4. Extension of bid validity shall be allowed once only for not more than thirty (30) days. No further extensions should be granted without the prior approval of the Bank.
(5) Contracts shall be awarded to qualified bidders having submitted the lowest evaluated substantially responsive bid.

(6) No preference shall apply under National Competitive Bidding.

(v) Rejection of All Bids

(1) All bids shall not be rejected and new bids solicited without the Bank’s prior written concurrence.

(2) When the number of bids received is less than two, re-bidding shall not be carried out without the Bank’s prior concurrence.

(vi) Securities

Bid securities should not exceed two percent (2%) of the estimated cost of the contract; and performance securities not more than ten percent (10%). No advance payments shall be made to contractors without a suitable advance payment security. The wording of all such securities shall be included into the bidding documents and shall be acceptable to the Bank.
SCHEDULE 3
Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 15 and November 15, Beginning May 15, 2017, Through May 15, 2022</td>
<td>8.33%</td>
</tr>
<tr>
<td>On November 15, 2022</td>
<td>8.37%</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.

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

Section I. Definitions


2. "Beneficiary" means an entity which meets the eligibility criteria set forth in the Operational Procedures and accordingly is eligible to receive Sub-financing under Part B of the Project.


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

5. “Connectivity Program” means the Borrower’s Connectivity Program, established by a decision of the UKF’s steering committee dated January 29, 2007, as amended up to the date of this Agreement, and administered by UKF in accordance with the Operational Procedures, as such program may be updated from time to time with the prior agreement of the Bank.


7. “Environmental Impact Assessment” or “EIA” means a site-specific environmental impact assessment prepared, as required, in accordance with the EMF.

8. “Environmental Management Framework” or “EMF” means the framework prepared and adopted by the Borrower, dated August, 2012, in form, substance and manner satisfactory to the Bank, consisting of: the set of mitigation, monitoring, institutional and screening measures required for the technical assistance to be provided under the Project as well as the activities under the Sub-projects and to be taken to eliminate adverse environmental impacts, offset them, or reduce them to acceptable levels, as well as actions needed to implement said measures, including the measures and information required for the preparation of site-specific environmental management plans (EMPs).

9. “EMP” means a site-specific environmental management plan prepared, as required, in accordance with the EMF.

10. "EU Funds" means funding made available to eligible applicants by the European Union (EU) under its funding facilities in the research and innovation
sector, including, but not limited to, the European Regional Development Fund (ERDF); European Social Fund (ESF) and the Horizon 2020.


12. “Horizon 2020” means the EU HORIZON 2020 Framework Programme for Research and Innovation, a financial instrument for support of the EU’s innovation union.

13. “MSES” means the Borrower’s Ministry of Science, Education and Sports, and includes any successor thereto.

14. “Operating Costs” means incremental operating costs incurred by the MSES, including BICRO and UKF, on account of Project implementation, including, office equipment, maintenance and supplies, travel expenses; and other Project-related incremental costs as may be agreed between the Borrower and the Bank (but excluding salaries of officials of the Borrower’s civil service).

15. “Operational Procedures” means the Guidelines and Procedures for the Borrower’s Program I, II and III, and the Young Researchers and Professionals Program, Research Cooperability Program, Connectivity Program and Technology Transfer Office Support Program, agreed with the Bank and adopted by BICRO, MSES and UKF, as applicable, setting forth eligibility criteria and procedures for selection, appraisal and approval of Beneficiaries and Sub-projects to be financed under the Project, as well as the procedures for administration and monitoring of implementation of Sub-projects, as the same may be updated from time to time with the agreement of the Bank.

16. “PIP” means the project implementation plan adopted by the Borrower for the first year of Project implementation, dated March 13, 2013, as the same may be updated from time to time with the agreement of the Bank.

17. “PIU” means the project implementation unit established by the Borrower within MSES for the purposes of Project management.

18. “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 February 16, 2012 and on behalf of the Borrower on April 30, 2012 (IBRD P4640-HR).


20. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated March 14, 2013 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.
21. “POM” means the project operations manual dated April 3, 2013, setting forth procedures and requirements for carrying out the Project, adopted by the Borrower and agreed with the Bank, as the same may be amended from time to time with the agreement of the Bank.

22. “Program I” means the Borrower’s Proof of Concept (PoC) Program, adopted by BICRO in April, 2010, as amended up to the date of this Agreement, and administered by BICRO in accordance with the Operational Procedures, as such program may be updated from time to time with the prior agreement of the Bank.

23. “Program II” means the Borrower’s program on innovative technologies for supporting research and development activities in start-ups and small and medium enterprises through commercialization of their research and development outputs (currently known as RAZUM Program), adopted by the Borrower on July 12, 2006 under the “Guidelines for fostering innovation technology system”, as amended up to the date of this Agreement, and administered by BICRO in accordance with the Operational Procedures, as such program may be updated from time to time with the prior agreement of the Bank.

24. “Program III” means the Borrower’s Sponsored Research and Development (currently known as SPREAD) Program, adopted by the Borrower on July 12, 2006 under the “Guidelines for fostering innovation technology system”, as amended up to the date of this Agreement, and administered by BICRO in accordance with the Operational Procedures, as such program may be updated from time to time with the prior agreement of the Bank.

25. “Research Cooperability Program” means the Borrower’s Research Cooperability Program, established by a decision of the UKF’s steering committee dated January 29, 2007, as amended up to the date of this Agreement, and administered by UKF in accordance with the Operational Procedures, as such program may be updated from time to time with the prior agreement of the Bank.

26. “Sub-financing” means any financing in the form of a loan, grant or equity investment made or proposed to be made, pursuant to the provisions of a Sub-financing Agreement and in accordance with the criteria and procedures set forth in the Operational Procedures, by MSES (through BICRO or UKF, as appropriate), to an eligible Beneficiary for the purpose of financing a Sub-project, and to be financed out of the proceeds of the Loan.

27. “Sub-financing Agreement” means an agreement to be entered into between MSES (for itself or UKF, as appropriate), or MSES through BICRO, as applicable, and a Beneficiary on the terms and conditions set forth in this Agreement and the Operational Procedures, for the purposes of financing and implementing a Sub-project under Part B of the Project.

28. “Sub-project” means a specific project eligible for financing out of the proceeds of the Loan in accordance with the provisions of this Agreement and the criteria set forth in the Operational Procedures, to be carried out by a Beneficiary using a Sub-financing under Part B of the Project.
29. "Steering Committee" means the Steering Committee referred to in Section I.A.1 (d) of Schedule 2 to this Agreement.

30. "Training" means Project-related training for selected institutions, 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.

31. "Technology Transfer Office Support Program" means the Borrower's Technology Transfer Office Support Program, adopted by the MSES on April 3, 2013, and administered by MSES in accordance with the Operational Procedures as such program may be updated from time to time with the prior agreement of the Bank.

32. "UKF" means the Borrower's Unity Through Knowledge Fund, established within, and administered by, the MSES.

33. "Working Group" means the Working Group referred to in Section I.A.1 (d) of Schedule 2 to this Agreement.

34. "Young Researchers and Professionals Program" means the Borrower's Young Researchers and Professionals Program, established by a decision of the UKF's steering committee dated January 29, 2007, as amended up to the date of this Agreement, and administered by UKF in accordance with the Operational Procedures, as such program may be updated from time to time with the prior agreement of the Bank.