Loan Agreement

(Revenue Administration Modernization Project)

between

REPUBLIC OF CROATIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 3, 2007
LOAN AGREEMENT

Agreement dated July 3, 2007, 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, fifty million Euro (EUR 50,000,000), 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 Commitment Charge payable by the Borrower shall be equal to three-fourths of one percent (3/4 of 1%) per annum on the Unwithdrawn Loan Balance, subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.

2.04. The Front-end Fee payable by the Borrower shall be equal to one percent (1.0%) of the Loan amount, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time.

2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread, subject to any waiver of a portion of such interest as may be determined by the Bank from time to time; 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.

2.06. The Payment Dates are May 1 and November 1 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 unwritten, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable 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.

(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 4.04 (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 objectives of the Project and the Program. To this end, the Borrower shall carry out the Project through MOF in accordance with the provisions of Article V of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.
ARTICLE IV - REMEDIES OF THE BANK

4.01. The Additional Events of Suspension consist of the following:

(a) A situation shall have arisen which shall make it impossible that the Program or a significant part thereof, will be carried out.

(b) The Borrower’s Tax Administration Act dated July 13, 2001, as published in the Official Gazette No. 76/2001, No. 94/2001 and No. 177/2004, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of CTA to perform any of its obligations under this Agreement.

4.02. The Additional Event of Acceleration consists of the following: the event specified in paragraph (b) of Section 4.01 of this Agreement occurs.

ARTICLE V - EFFECTIVENESS; TERMINATION

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

(a) The Borrower has established the Committee for the Strategic Management of the Project in a manner satisfactory to the Bank.

(b) CTA has established the Project Implementation Committee in a manner satisfactory to the Bank.

(c) CTA has established the Project Implementation Unit in a manner satisfactory to the Bank.

(d) CTA has employed the Assistant Director of its Human Resources and Training Department.

(e) CTA has adopted the Project Operational Manual, satisfactory to the Bank.

(f) The Borrower and CTA have adopted the Strategic Plan for CTA Modernization, satisfactory to the Bank.

5.02. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

ARTICLE VI - REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is Minister of Finance.
6.02. The Borrower’s Address is:

Ministry of Finance  
Katanjevva 5  
10000 Zagreb  
Republic of Croatia

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

6.03. The Bank’s Address is:

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

Cable address: INTBAFRAD  
Telex: 248423(MCI) or 64145(MCI)  
Facsimile: 1-202-477-6391

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

REPUBLIC OF CROATIA

By: /s/ Ivan Suker  
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: /s/ Andras Horvai  
Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to achieve further improvements in efficiency, taxpayer services, and tax compliance through capacity building and systems improvement in CTA.

The Project consists of the following parts:

Part I: Organizational Consolidation and Functional Realignment of CTA Tax Offices, including Physical Facilities

1. Support to CTA to restructure the organization of the city of Zagreb network of 13 city office locations, to consolidate them into a new tax office complex in Zagreb, including a CTA Tax Academy and an ICT facility, and to improve organizational and staffing arrangements, taxpayer services and enforcement processes, and human resource management policies, through the carrying out of civil works, the acquisition of information technologies, and the provision of Training and technical advisory services.

2. Support to CTA to strengthen and consolidate its large taxpayers’ offices set up in 2005, through the provision of information technologies, Training and technical advisory services.

Part II: Knowledge and Professional Upgrading of Tax Officials and Stakeholders

1. Support to CTA to upgrade its capacity in human resource management and training provision.

2. Support to CTA to upgrade its training systems and knowledge-sharing programs for tax officials and other stakeholders.

3. Provision of equipment to the CTA Tax Academy for distance learning and conducting seminars in four selected locations.

Part III: Technological Upgrading for Services, Management Information System and TIN Implementation Support

1. Support to CTA to facilitate the exchange of tax-related information among Borrower agencies through the modernization of business processes, including e-tax functions, and provision of information solutions for the implementation of such business processes, including acquisition of new suite of contemporary tax administration application software.
2. Support to CTA to develop software applications and provide the necessary system and data security and business continuity and disaster recovery capacities, through the provision of technical advisory services, Training and equipment.

3. Support to CTA for the implementation of a management information system integrating operational dataflow with resource management information from MOF human, financial and material resource management systems, through the provision of technical advisory services, Training and equipment.

4. Initial support to CTA and selected Borrower agencies to implement TIN through the provision of technical advisory services and equipment.

Part IV: Modernization Management and Project Support

1. Support to CTA to develop and implement the Strategic Plan for CTA Modernization through the provision of technical advisory services.

2. Support to CTA with respect to Project management, procurement, financial management, audits, stakeholder consultation, change management, dissemination of materials and Project monitoring and evaluation through the provision of technical advisory services, Training and equipment.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional and other Arrangements

1. The Borrower shall maintain the Committee for the Strategic Management of the Project during Project implementation, with a composition and terms of reference acceptable to the Bank, which shall provide oversight and policy guidance for Project implementation. The Committee for the Strategic Management of the Project shall comprise managers of MOF and CTA.

2. The Borrower, through CTA, shall maintain the Project Implementation Committee during Project implementation, with a composition and terms of reference acceptable to the Bank, which shall provide overall coordination for Project implementation. The Project Implementation Committee shall comprise managers of MOF and CTA.

3. During Project implementation, the Borrower shall ensure that CTA is maintained with an organizational and management structure, staffing and resources which shall be adequate to enable CTA to effectively implement the Project. In particular, during Project implementation, the Borrower shall ensure that CTA maintains a Project Coordinator with terms of reference and performance acceptable to the Bank. Such Project Coordinator shall report to the Committee for the Strategic Management of the Project.

4. To enable CTA to implement effectively the Project, the Borrower shall ensure, through CTA, that, during Project implementation, the Project Implementation Unit is maintained with adequate staffing and resources. The Project Implementation Unit shall, inter alia, be responsible for the day to day implementation of the activities to be carried out under the Project, periodic monitoring and evaluation of Project activities and preparation of Project Reports in respect of the Project. The Project Implementation Unit shall comprise staff of MOF and CTA.

5. The Borrower, through CTA, shall take all necessary measures to implement the Project in accordance with the Project Operational Manual and the EMP, and shall not amend, suspend, abrogate, repeal or waive any provision of the Project Operational Manual and the EMP without prior approval of the Bank.

6. The Borrower, through CTA, shall ensure that: (i) all measures necessary under the EMP are carried out in a timely manner; and (ii) adequate information on the implementation of the said measures is suitably included in the Project Reports referred to in Part A.1 of Section II of this Schedule 2.
7. The Borrower shall ensure that its annual budget provides for sufficient funds for the operating and maintenance costs of the facilities and buildings to be rehabilitated or constructed under the Project.

8. Not later than six (6) months after new legislation on civil service salaries is effective, the Borrower shall take all appropriate measures, satisfactory to the Bank, to adjust salaries for CTA staff in a manner consistent with the provisions of such new legislation.

9. Not later than six (6) months after new legislation on TIN is effective, the Borrower shall take all appropriate measures, satisfactory to the Bank, to begin introduction of TIN for exchange of tax information among Borrower agencies, in a manner consistent with the provisions of such new legislation.

10. Not later than twelve (12) months after the Effective Date, the Borrower, through CTA, shall complete an evaluation report of the Zagreb regional tax office and the large tax payer office, in a manner consistent with the provisions of the Program.

11. Midterm Review

(a) About eighteen (18) months after the Effective Date, the Borrower, through MOF and CTA, shall carry out, jointly with the Bank, a midterm review of the progress made in carrying out the Project (hereinafter referred to as the Midterm Review). The Midterm Review shall cover, amongst other things:

(i) progress made in meeting the Project’s objective; and
(ii) overall Project performance against Project performance indicators.

(b) The Borrower, through CTA, shall, prepare, and at least (4) weeks prior to the Midterm Review, furnish to the Bank, a separate report describing the status of implementation of each component of the Project and a summary report of Project implementation generally.

(c) The Borrower, through CTA, shall, not later than four (4) weeks after the Midterm Review, prepare and submit to the Bank an action program, acceptable to the Bank, for further implementation of the Project having regard to the findings of the Midterm Review and, thereafter, implement such action program.

B. 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, through CTA, 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 agreed with the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower, through CTA, 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, through CTA, 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, through CTA, shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower, commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods and Works. All goods and works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts
refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

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

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

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
<tr>
<td>(d) Limited International Bidding</td>
</tr>
</tbody>
</table>

(a) National Competitive Bidding. Works estimated to cost less than EUR 4,200,000 equivalent per contract, and goods estimated to cost less than EUR 800,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding and the following additional provisions set forth in (i) through (viii) of this paragraph. The Bank may, upon notice to the Borrower, increase the above threshold for goods to be procured on the basis of the National Competitive Bidding.

(i) Procedures

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

(ii) Assessment of Bidders’ Qualifications

When pre-qualification shall be required for large or complex works contracts, invitations to pre-qualify for bidding shall be advertised in the Borrower’s Official Gazette (Narodne Novine) and at least one 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, which shall be determined by a ‘pass/fail’ method, not through the use of a merit point system. Where pre-qualification is not used, the qualifications of the bidder who is recommended for award of contract shall be assessed by post-qualification, applying minimum experience, technical and financial requirements which shall be explicitly stated in the bidding documents.

(iii) Participation of Government-owned Enterprises

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

(iv) Bidding Documents

Project Implementing Entity acting as procuring entity shall use the appropriate standard bidding documents for the procurement of goods, works or services, as defined in the paragraph 1.1 of the Guidelines, which shall contain draft contract and conditions of contract acceptable to the Bank.

(v) Bid Submission, Opening and Evaluation

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

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

(3) The evaluation of bids shall be done in strict adherence to the monetarily quantifiable criteria specified in the bidding documents and a merit point system shall not be used.
(4) Extension of bid validity shall be allowed once only for not more than thirty (30) days. No further extensions should be granted without the prior approval of the Bank.

(5) Contracts shall be awarded to qualified bidders having submitted the lowest evaluated substantially responsive bid.

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

(vi) **Price Adjustment**

Works contracts of long duration (e.g. more than eighteen (18) months) shall contain an appropriate price adjustment clause.

(vii) **Rejection of All Bids**

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

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

(viii) **Securities**

Bid securities should not exceed 2% (two percent) of the estimated cost of the contract; and performance securities - not more than 10% (ten percent). 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.** Goods and works estimated to cost less than EUR 80,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping procedures in accordance with the provisions of paragraphs 3.1 and 3.5 of the Guidelines.

(c) **Direct Contracting.** Goods and works which the Bank agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of paragraph 3.6 of the Guidelines and such contracts shall be included in the Procurement Plan or its updates agreed with 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 table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-based Selection</td>
</tr>
<tr>
<td>(b) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(c) Least Cost Selection</td>
</tr>
<tr>
<td>(d) Selection based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(e) Single-source Selection</td>
</tr>
<tr>
<td>(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(g) Sole Source Procedures for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

Selection based on Consultants’ Qualifications. Services estimated to cost less than EUR 160,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

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, Incremental Operating Costs, and Consultants' Services, including Audits and Training for Parts I, II and IV of the Project</td>
<td>8,300,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, Incremental Operating Costs, and Consultants’ Services, including Training for Part III of the Project</td>
<td>9,900,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Works for the Project</td>
<td>26,330,000</td>
<td>75%</td>
</tr>
<tr>
<td>(4) Refund of the Project Preparation Advance</td>
<td>570,000</td>
<td>Amount payable pursuant to Section 2.07 (a) of the General Conditions</td>
</tr>
<tr>
<td>(5) Front-end Fee</td>
<td>0</td>
<td>Amount payable pursuant to Section 2.04 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>(6) Premia for Interest Rate Cap or Interest Rate Collar</td>
<td>0</td>
<td>Amount due under Section 2.08 (c) of this Agreement</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Loan Allocated (expressed in EUR)</td>
<td>Percentage of Expenditures to be financed</td>
</tr>
<tr>
<td>----------------</td>
<td>-----------------------------------------------</td>
<td>------------------------------------------</td>
</tr>
<tr>
<td>(7) Unallocated</td>
<td>4,900,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>50,000,000</td>
<td></td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

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

   (a) for payments made prior to the date of this Agreement; or

   (b) for expenditures under Category (2) in the table in paragraph A.2 of Section IV of Schedule 2 to this Agreement unless new legislation on TIN, satisfactory to the Bank, has been enacted.

2. The Closing Date is June 30, 2013.
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 May 1 and November 1 beginning November 1, 2012 through May 1, 2022</td>
<td>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.
APPENDIX

Definitions


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

3. “Committee for the Strategic Management of the Project” means the committee established by the Borrower, and referred to in Section I.A.1 of Schedule 2 to this Agreement.


5. “CTA” means the Croatian Tax Administration, an administrative directorate of MOF, established pursuant the Borrower’s Tax Administration Act dated July 13, 2001 (as published in the Official Gazettes No. 76/2001, No. 94/2001 and No. 177/2004), or any successor thereto.

6. “EMP” means the Environment Management Plan dated April 2007, satisfactory to the Bank, describing the environmental procedures to be complied with in respect of any civil works to be carried out under the Project.


8. “ICT” means Information and Communication Technology.

9. “Incremental Operating Costs” means the incrementing operating costs incurred by the Project Implementation Unit on account of Project implementation, comprising staff salaries including social contributions (other than salaries of civil servants); translation services; communication (including postage and internet); procurement related advertising costs; operation, maintenance and insurance costs of vehicles; office supplies; maintenance and insurance of office equipment; Project related travel and per diem allowances including accommodation and local transportation; and banking charges.

10. “MOF” means the Ministry of Finance of the Borrower, or any successor thereto.

12. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated May 30, 2007, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

13. “Program” means the program of actions and objectives and including an action plan for the implementation of such program set forth in a document (“Croatia Tax Administration Modernization Framework”) from the Borrower dated May 16, 2007, designed to improve the Borrower’s tax administration and declaring the Borrower’s commitment to the execution of such program.

14. “Project Implementation Committee” means the committee referred to in Section I.A.2 of Schedule 2 to this Agreement.

15. “Project Implementation Unit” means the unit referred to in Section I.A.4 of Schedule 2 to this Agreement.

16. “Project Operational Manual” means the manual describing procedures and arrangements for the implementation of the Project and including, inter alia: (i) procedures governing administrative, procurement, accounting, financial management, and monitoring and evaluation arrangements; (ii) targets to be achieved under the Project; and (iii) sample formats of Project Reports.

17. “Project Preparation Advance” means the advance referred to in Section 2.07 (a) of the General Conditions, granted by the Bank to the Borrower pursuant to the letter agreement signed on behalf of the Bank and on behalf of the Borrower on February 14, 2007.

18. “Strategic Plan for CTA Modernization” means the Borrower’s document containing: (i) foundation statements setting out CTA’s mission, vision and values; (ii) a systematic diagnosis of CTA’s strengths, weaknesses, opportunities and threats; (iii) a small number of well defined modernization objectives; (iv) several actions for achieving each objective; and (v) a set of performance indicators to track modernization progress over the next five years.


20. “Training” means Project related study tours, training courses, seminars, workshops and other training activities not included under goods, including travel and per diem costs of trainers and trainees.