Loan Agreement

(Additional Loan for Rijeka Gateway Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

PORT OF RIJEKA AUTHORITY

Dated June 11, 2007
LOAN AGREEMENT

AGREEMENT dated June 11, 2007, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and PORT OF RIJEKA AUTHORITY ("Borrower") for the purpose of providing additional financing for activities related to Part A of the Original Project (as defined in the Appendix to this Agreement). 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 the Loan Agreement have the meanings ascribed to them in the General Conditions, in the Appendix to this Agreement or in the Original Loan Agreement, provided that these terms are not defined in the General Conditions or in the Appendix to this Agreement.

ARTICLE II - FINANCING

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to thirty-five million and three hundred thousand Euro (EUR 35,300,000) 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 Variable Spread, subject to any waiver of a portion of such interest as may be determined by the Bank from time to time.

2.06. The Payment Dates are April 15 and October 15 in each year.

2.07. The principal amount of the Loan shall be repaid in accordance with amortization schedule set forth in Schedule 3 to this Agreement.

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 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 the Executive Director.

5.02. The Borrower’s Address is:

Port of Rijeka Authority
Riva 1
Rijeka 51 000
Republic of Croatia

Facsimile:
385-51-331-764

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

Cable: INDEVAS
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.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
By: /s/ Anand K. Seth  
Authorized Representative

PORT OF RIJEKA AUTHORITY

By: /s/ Bojan Hlaca  
Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to increase efficiency, through private operators, and improve financial, social and environmental conditions at Rijeka Port, rehabilitate infrastructure and replace heavy cargo equipment.

The Project consists of Part A of the Original Project.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

The Borrower shall take all measures necessary to ensure that the Project is carried out in accordance with the provisions of the Environmental Plan.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

The Borrower shall monitor and evaluate the progress of the Project in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators agreed with the Bank. Each Project Report shall cover the period of one (1) 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 shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar quarter, interim un-audited 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 (1) fiscal year of the Borrower. 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. Works and Goods. All works and goods required for the Project 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 Schedule.

2. Consultants’ Services. All consultants’ services required for the Project 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 Schedule.
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 Works and Goods**

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.

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, subject to the provisions set forth in this Section</td>
</tr>
<tr>
<td>(b) Limited International Bidding</td>
</tr>
<tr>
<td>(c) Shopping</td>
</tr>
<tr>
<td>(d) Direct Contracting</td>
</tr>
</tbody>
</table>

(a) **National Competitive Bidding.** Works estimated to cost less than $5,000,000 equivalent per contract, and goods estimated to cost less than $1,000,000 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.

(i) **Procedures**

The public bidding method shall apply to all contracts. Invitations to bid shall be advertised in the Guarantor’s Official Gazette (*Narodne Novine*) and in at least one widely circulated national daily newspaper or at the Borrower’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 Guarantor’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 Guarantor’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 Guarantor’s Government. Said enterprises shall be subject to the same bid and performance security requirements as other bidders.

(iv) Bidding Documents

The Borrower shall use 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) **Limited International Bidding.** Goods which the Bank agrees can only be procured from a limited number of suppliers may be procured under contracts awarded on the basis of Limited International Bidding.

(c) **Shopping.** Goods and works estimated to cost less than US$100,000 equivalent per contract may be procured on the basis of Shopping.
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 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) Least-Cost Selection</td>
</tr>
<tr>
<td>(b) Selection Based on Consultant’s Qualifications</td>
</tr>
<tr>
<td>(c) Fixed-Budget Selection</td>
</tr>
<tr>
<td>(d) Single Source Selection</td>
</tr>
</tbody>
</table>

D. Review by the Bank of Procurement Decisions

All contracts financed with the Loan proceeds shall be subject to Prior Review by the Bank.

Section IV. Withdrawal of the Proceeds of the Loan

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 may 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 allocations 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>Amount of the Loan</th>
<th>Percentage of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
<td>Allocated (expressed in EUR)</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>------------------------------</td>
</tr>
<tr>
<td>Works, Goods and Consultants’ Services</td>
<td>35,300,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>35,300,000</td>
</tr>
</tbody>
</table>

B. **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 December 31, 2010.
SCHEDULE 3

Amortization Schedule

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Principal Amount of the Loan Payable (Expressed in Euro) *</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 15, 2011</td>
<td>1,630,000</td>
</tr>
<tr>
<td>April 15, 2012</td>
<td>1,660,000</td>
</tr>
<tr>
<td>October 15, 2012</td>
<td>1,700,000</td>
</tr>
<tr>
<td>April 15, 2013</td>
<td>1,735,000</td>
</tr>
<tr>
<td>October 15, 2013</td>
<td>1,770,000</td>
</tr>
<tr>
<td>April 15, 2014</td>
<td>1,810,000</td>
</tr>
<tr>
<td>October 15, 2014</td>
<td>1,850,000</td>
</tr>
<tr>
<td>April 15, 2015</td>
<td>1,890,000</td>
</tr>
<tr>
<td>October 15, 2015</td>
<td>1,930,000</td>
</tr>
<tr>
<td>April 15, 2016</td>
<td>1,970,000</td>
</tr>
<tr>
<td>October 15, 2016</td>
<td>2,010,000</td>
</tr>
<tr>
<td>April 15, 2017</td>
<td>2,055,000</td>
</tr>
<tr>
<td>October 15, 2017</td>
<td>2,100,000</td>
</tr>
<tr>
<td>April 15, 2018</td>
<td>2,145,000</td>
</tr>
<tr>
<td>October 15, 2018</td>
<td>2,190,000</td>
</tr>
<tr>
<td>April 15, 2019</td>
<td>2,240,000</td>
</tr>
<tr>
<td>October 15, 2019</td>
<td>2,285,000</td>
</tr>
<tr>
<td>April 15, 2020</td>
<td>2,330,000</td>
</tr>
</tbody>
</table>

* The figures in this column represent the amount in Euro to be repaid, except as provided in Section 3.10 of the General Conditions.
APPENDIX

Definitions

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


5. “Original Project” means the Project described in Schedule 2 to the Original Loan Agreement.


7. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated May 3rd, 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 provision of said paragraphs.