Loan Agreement

(Justice Sector Support Project)

between

REPUBLIC OF CROATIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated April 13, 2010
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 six million Euros (EUR 26,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 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. The Borrower shall pay the Front-end Fee not later than sixty (60) days after the Effective Date.

2.04. 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; 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment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 (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.

2.05. The Payment Dates are April 15 and October 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prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; and (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan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.

(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 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 Condition of Effectiveness consists of the following, namely that the Borrower has adopted the Project Operational Manual in form and substance 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 the Minister of Finance.

5.02. The Borrower’s Address is:

Ministry of Finance
Katanciceva 5
10000 Zagreb
Republic of Croatia

Facsimile: (385-1) 4922-598

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 address: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391
AGRED at Zagreb, Republic of Croatia, as of the day and year first above written.

REPUBLIC OF CROATIA

By /s/ Ivan Sučer

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 improve the efficiency of the Borrower’s justice system.

The Project consists of the following parts:

Part A. Improving the efficiency of the court system

Carrying out a program of works and provision of goods, services and training for:

1. Supporting the consolidation of the court network including: (a) the adaptive re-use of a vacant commercial retail structure for the municipal court in Split; (b) the rehabilitation and limited extension of the municipal court in Karlovac; (c) limited space reconfiguration and refurbishment of parts of the municipal and county court building in Pula; (d) the provision of access for the disabled in the courts covered by the Project; and (e) technical assistance for the supervision of activities under Part A.1 of the Project.

2. Improving courts’ resource management capacity, including the organization of study tours, workshops and conferences, to: (a) design and develop methods and procedures to improve the efficiency of court resource management; and (b) strengthen the capacity of court presidents, secretaries and staff in using court resource management techniques.

3. Upgrading and updating court operational information systems, including: (a) the Integrated Case Management System (ICMS), including automating the ICMS procedures and updating the ICMS in line with the reformed investigative functions of courts under the Criminal Procedures Code; and (b) the upgrade of ICT infrastructure in county, municipal, misdemeanor and commercial courts and in the Supreme Court.

4. Strengthening case management, including the organization of study tours, workshops and conferences, to: (a) design and develop improved case management methods and procedures; and (b) train court staff on new case management techniques.

5. Enhancing the efficiency of enforcement procedures, including the organization of study tours, workshops and conferences, to: (a) design and develop improved enforcement procedures; and (b) train court staff on new enforcement techniques.

Part B. Improving the efficiency of the State Attorney’s Office (SAO)

Carrying out a program of civil works and provision of goods, services and training for:
1. Consolidating SAO’s network, including refurbishment, rehabilitation, new construction activities and facilitating access for the disabled, to provide: (a) facilities for USKOK in the form of an infill addition to SAO’s headquarters facilities in Zagreb and upgraded technical infrastructure; and (b) new space for the SAO in Pula in the form of space reconfiguration and rehabilitation of an existing vacant structure.

2. Strengthening the institutional capacity of the SAO, including the organization of study tours, workshops and conferences, to: (a) modernize SAO’s headquarters’ organizational structure, management roles and responsibilities, in line with the Criminal Procedures Code; and (b) develop standardized investigative procedures in line with said Code.

3. Upgrading and updating SAO’s operational information systems, including: (a) the upgrade and upgrade of SAO’s Case Tracking System (CTS) to include the new investigative functions granted to the SAO under the Criminal Procedures Code and include new case management techniques; (b) support to the national roll-out of the CTS; and (c) the upgrade and extension of SAO’s ICT infrastructure to support CTS interconnectivity with other justice system entities.

Part C. Strengthening management functions of the Ministry of Justice

Provision of goods, services and training and the organization of study tours, conferences and workshops for:

1. Strengthening MOJ’s resource and performance management capacity, including the design and development of a justice sector medium-term expenditure framework and performance indicator with a view to gradually linking budgets to: (a) performance through more effective budget development, management and execution; (b) capital investment programming; and (c) justice sector performance indicators.

2. Strengthening MOJ’s information systems and information system management capacity, including: (a) the upgrade of MOJ’s inmate information system, including the development of links to courts for servicing notices; (b) the implementation of an ICT asset management system; (c) the interconnection of information systems of key justice system entities; (d) the implementation of an integrated document management system; and (e) the strengthening of ICT technical and management skills of selected MOJ staff.

Part D. Support to Project management and implementation
Provision of goods, services and training and the organization of study tours, conferences and workshops for:

1. Monitoring, evaluation and change management, including the carrying out of surveys and the financing of Operating Costs to: (a) monitor, evaluate and disseminate the Project’s results and impact; and (b) initiate and sustain change management and outreach activities targeted to Project beneficiaries and stakeholders.

2. Supporting Project management and implementation, including the financing of Operating Costs to: (a) properly staff the core Project team; (b) manage Project activities, including the hiring of technical expertise and handling procurement, financial management, monitoring and evaluation, reporting and outreach and communication arrangements; and (c) support the Project’s governance framework including the secretariat of the Project Steering Committee and related technical bodies.

3. Carrying out surveys of users of the justice system and dissemination activities, including publications.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The Borrower, through the Ministry of Justice, shall carry out the Project in accordance with the following institutional and other arrangements:

1. The Project shall be implemented under the overall responsibility of the Ministry of Justice, with the Minister of Justice as Project Coordinator. To this end, the MOJ Project Team, which shall be headed by a Project Manager, shall be responsible for Project management and implementation, including Project monitoring and evaluation, reporting, disbursement, procurement, accounting and financial management arrangements.

2. The Borrower shall maintain the MOJ Project Team, at all times during Project implementation, with terms of reference, resources and with competent staff and experts in adequate numbers, all satisfactory to the Bank.

3. The Borrower shall maintain the Steering Committee, at all times during Project implementation, with a composition, resources and terms of reference satisfactory to the Bank. The Steering Committee, which shall be chaired by the Minister of Justice, shall be responsible for the strategic oversight and coordination of Project activities, and shall be supported by technical working groups on, respectively, ICT, civil works, resource management, case management, and enforcement. The MOJ Project Team shall perform secretariat functions for the Steering Committee and said technical working groups.

B. Implementation Covenants

1. The Borrower, through the Ministry of Justice, shall:

   (a) duly perform all obligations under the Project Operational Manual, including the Project implementation plan, in a timely manner and in accordance with their respective terms, and apply and implement, as the case may be, the actions, criteria, policies, procedures and arrangements therein set forth; and

   (b) not amend or waive, or permit to be amended or waived the Project Operational Manual or any provision thereof, except with the prior written approval of the Bank.

2. The Borrower shall, at all times during Project implementation, cause the MOJ, the SAO and the courts and prosecution offices participating in the implementation of the
Project to include adequate allocations in their respective budgets to: (a) ensure the proper operation and maintenance of ICT systems developed under the Project; and (b) provide ICT systems related training to relevant staff of the MOJ, courts and prosecutors’ offices.

3. For purposes of Parts A.1 and B.1 of the Project, the Borrower, through the Ministry of Justice, shall ensure that buildings, facilities and structures where construction, rehabilitation, renovation or additions are undertaken under the Project are adequately maintained and provide adequate access for the disabled.

4. The Borrower shall:

   (a) cause MOJ and the Steering Committee to hold semi-annual consultations with a broad set of stakeholders, including, but not limited to, the Bar Associations, association of notaries, civil society, chambers of commerce, academic institutions, the media and the Borrower’s development partners, with a view to: (i) sharing information on Project progress and results measured against Project targets and expected outcomes; and (ii) promoting a consensus on the design and adoption of performance indicators for the Borrower’s justice system;

   (b) cause MOJ, the Supreme Court, the SAO, SAO offices and courts participating in the implementation of the Project to publish, on their respective public website, at least on a quarterly basis, information in relation to: (i) Project implementation progress; (ii) the related ICMS and CTS performance data, as the case may be; and (iii) the relevant Project performance indicators; and

   (c) cause MOJ to design and develop, within twenty-four (24) months following the Effectiveness Date, a medium-term expenditure framework for the justice sector, in form and substance satisfactory to the Bank, which shall include, but not be limited to: (i) a top-down estimate of aggregate resources available for justice sector public expenditures consistent with macro-economic stability; (ii) bottom-up estimates of the costs of carrying out both existing and new justice system reform policies; (iii) a framework reconciling the costs referred to in the preceding sub-paragraph (ii) with aggregate resources and prioritizing an expenditure and capital investment program for the justice sector, based on a justice sector public expenditure and institutional review and a financing options study for the proposed Zagreb Judicial Square, taking into account facilities and asset management issues; (iv) a set of justice sector performance indicators; and (v) an action plan for improving justice sector resource management.

C. Anti-Corruption

The Borrower, through the Ministry of Justice, shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
D. Safeguards

1. The Borrower, through the Ministry of Justice, shall:

   (a) duly perform all obligations under the Environmental Management Plans in a timely manner and in accordance with their respective terms, and apply and implement, as the case may be, the actions, criteria, policies, procedures and arrangements therein set forth; and

   (b) not amend or waive, or permit to be amended or waived the Environmental Management Plans or any provision thereof, except with the prior written approval of the Bank.

2. The Borrower, through the Ministry of Justice, shall ensure that no land acquisition or resettlement shall be required under the Project.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower, through the Ministry of Justice, 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 performance 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.

2. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than six (6) months after the Closing Date.

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, through the Ministry of Justice, 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 (1) 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.

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, subject to the additional procedures stipulated in the Annex to this Schedule</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
</tbody>
</table>
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) Fixed Budget Selection</td>
</tr>
<tr>
<td>(c) Least Cost Selection</td>
</tr>
<tr>
<td>(d) Consultant Qualification</td>
</tr>
<tr>
<td>(e) Single Source Selection</td>
</tr>
<tr>
<td>(f) Individual Consultants</td>
</tr>
<tr>
<td>(g) Sole Source basis for individual consultants</td>
</tr>
</tbody>
</table>

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 Euro)</th>
<th>Percentage of Expenditures to be financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Civil works, goods, consultants’ services, training, workshops, study tours and Operating Costs</td>
<td>25,532,369</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Refund of the Preparation Advance</td>
<td>467,631</td>
<td>Amount payable pursuant to Section 2.07 (a) of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>26,000,000</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) from the Loan Account (other than to repay the Preparation Advance) until the Bank has received payment in full of the Front-end Fee; or

   (b) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed EUR 500,000 equivalent may be made for payments made prior to this date but on or after March 1, 2010 for Eligible Expenditures under Category (1).

2. The Closing Date is June 30, 2015.
ANNEX
TO
SCHEDULE 2

For the purposes of following National Competitive Bidding procedures in the procurement of goods, services (other than consultants’ services) and works to be financed under the Loan, the following modifications and additions shall apply:

1. 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 Justice, allowing a minimum of thirty (30) days for the preparation and submission of bids.

2. Assessment of Bidders’ Qualifications

When pre-qualification shall be required for large or complex contracts, invitations to pre-qualify for bidding shall be advertised in the Borrower’s Official Gazette (*Narodne Novine*) and in 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.

3. 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.

4. Bidding Documents

The Borrower shall use appropriate bidding documents that are acceptable to the Bank.
5. **Bid Submission, Opening and Evaluation**

   (a) 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.

   (b) 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.

   (c) 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.

   (d) 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.

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

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

6. **Price Adjustment**

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

7. **Rejection of All Bids**

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

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

8. **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

The Borrower shall repay the principal amount of the Loan in full on October 15, 2027.
APPENDIX

Section I. Definitions


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


4. “Criminal Procedures Code” means the Borrower’s Criminal Procedures Code dated December 15, 2008 (Official Gazette No. 152-2008), as the same may be amended from time to time.

5. “CTS” means Case Tracking System.

6. “Environmental Management Plans” and “EMPs” means the environmental management plans prepared by the Borrower, dated December 23, 2009, and satisfactory to the Bank, for the Project sites in, respectively, Zagreb, Pula, Karlovac and Split, setting forth a set of mitigation, monitoring, and institutional measures to be taken during Project implementation to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, to adequately handle potential chance finds, and including the actions needed to implement these measures.

7. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.

8. “ICT” means information and communications technology.


11. “Ministry of Justice” or “MOJ” means the Borrower’s Ministry of Justice, and any successor thereto.
12. “MOJ Project Team” means the Project Team established within MOJ pursuant to Decision No. 700-01/10-01/524 of the Minister of Justice dated February 16, 2010, and maintained in accordance with Section I.A, paragraph 1 of Schedule 2 to this Agreement.

13. “Operating Costs” means the reasonable and necessary incremental expenditures on account of Project implementation, management, coordination, and monitoring and evaluation, as approved by the Bank on the basis of budgets acceptable to the Bank, and including, \textit{inter alia}, the costs of: (i) rental of, and fuel for vehicles used for Project implementation and supervision; (ii) utilities and telecommunication costs; (iii) organization of workshops; (iv) training, capacity building and fees paid to experts hired for the purposes of the Project, and excluding civil servants’ salaries; (iii) travel costs and per diems, including for officials and experts participating in the implementation of the Project; (iv) consumable office supplies; (v) communication and advertisements, printing and publications; (vi) costs of translation and interpretation; (vii) acquisition of financial management software; and (viii) bank charges.

14. “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 March 18, 2008, and on behalf of the Borrower on August 1, 2008.


16. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated February 17, 2010, 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.

17. “Project Operational Manual” means the Project operational manual adopted by the Borrower pursuant to Section 5.01 of this Agreement, setting forth the operational and administrative responsibilities, procedures and rules for the implementation of the Project, including financial management procedures and the Project implementation plan.

18. “SAO” means the State Attorney’s Office.

19. “Steering Committee” means the Project Steering Committee established for the Project by the Borrower pursuant to Decision No. 700-01/10-01/525 of the Minister of Justice dated February 16, 2010, and maintained in accordance with Section I.A, paragraph 1 of Schedule 2 to this Agreement.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Paragraph (a) of Section 2.07 is modified to read as follows:

“Section 2.07. Refinancing Preparation Advance; Capitalizing Front-end Fee and Interest

(a) If the Loan Agreement provides for the repayment out of the proceeds of the Loan of an advance made by the Bank or the Association (“Preparation Advance”), the Bank shall, on behalf of such Loan Party, withdraw from the Loan Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Loan Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Bank shall pay the amount so withdrawn to itself or the Association, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (l) of Section 7.02 is modified to read as follows:

“Section 7.02. Suspension by the Bank

... (l) Ineligibility. The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:
“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”

(b) The definition of the term “Conversion Date” is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”