

**CONFORMED COPY**

---

---

**LOAN NUMBER 7716-ME**

# **Loan Agreement**

**(Institutional Development and Agriculture Strengthening Project)**

**between**

**MONTENEGRO**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated May 27, 2009**

---

---

## **LOAN AGREEMENT**

Agreement dated May 27 2009, between MONTENEGRO (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

### **ARTICLE I - GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

### **ARTICLE II - LOAN**

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of eleven million Euros (EUR 11,000,000), 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.
- 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 Variable 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 (d) of the General Conditions.
- 2.05. The Payment Dates are May 1 and November 1 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; (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; 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 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

### **ARTICLE III - PROJECT**

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project through MAFWM 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 GEF Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

**ARTICLE V - REPRESENTATIVE; ADDRESSES**

- 5.01. The Borrower's Representative is its Minister of Finance.
- 5.02. The Borrower's Address is:

Ministry of Finance  
Stanka Dragojevicica 2  
81000 Podgorica  
Montenegro

Facsimile:

382 20 224 450

- 5.03. The Bank's Address is:

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

Cable address:

Telex:

Facsimile:

INTBAFRAD  
Washington, D.C.

248423(MCI) or  
64145(MCI)

1-202-477-6391

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

MONTENEGRO

By /s/ Igor Luksic

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Jan-Peter Olters

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to improve delivery of the Borrower' assistance for sustainable agriculture and rural development in a manner consistent with the European Union pre-accession requirements.

The Project consists of the following parts:

#### **Part A. Strengthening MAFWM's Rural Development Program**

1. Increasing Rural Development Funding for Target Measures and Areas:

Provision of Rural Development Grants to Beneficiaries to support target measures and areas identified in the Grants Operational Manual, including: (a) investments in agricultural holdings and processing and marketing of agriculture and fishery products; and (b) the development of the rural economy through income diversification.

2. Strengthening Extension and Advisory Services:

Provision of technical assistance, training and goods and carrying out of civil works to: (a) strengthen the Borrower's extension and advisory services' capacity to support potential Beneficiaries in meeting standards, developing business plans, and preparing applications for Rural Development Grants; (b) strengthen the Borrower's extension and advisory services' capacity to further develop the Market Information System and develop a Farm Management and Record-Keeping Program; and (c) refurbish the facilities for the 12 regional centers and headquarters of the extension and advisory services.

#### **Part B. Strengthening MAFWM's Administrative and Management Capacity**

1. Administering EU IPARD compatible agriculture and rural development support programs:

Provision of technical assistance, Training and goods and carrying out of civil works to: (a) establish within MAFWM an EU IPARD compatible Rural Development Unit responsible for planning and evaluating the Borrower's rural development program; (b) establish an EU IPARD compatible Proto-Paying Agency; and (c) prepare and implement MAFWM's Systematization Plan, including the refurbishment or construction of facilities as deemed necessary under such Plan.

## 2. Modernizing Agriculture Information Management Systems

Provision of technical assistance, Training and goods and carrying out of civil works to help to build key components of the Borrower's Integrated Administrative and Control System through: (a) support for the preparation, implementation and dissemination of the main Agricultural Census; and (b) development of a farm register and preparation of associated cadastre maps for vineyards, and olive and/or fruit orchards.

## 3. Creating a Modern Food Safety System

Provision of technical assistance and goods, and carrying out of civil works to: (a) upgrade National Reference Laboratories' capacity in veterinary and seafood diagnostic testing; (b) upgrade the phyto-sanitary and veterinary Border Inspection Posts in the Borrower's Port of Bar; (c) establish a system for safe disposal of animal by-products; and (d) undertake a preliminary screening of private food processing establishments.

### Part C. Support for Project Management, Monitoring and Evaluation

Strengthening the Borrower's Project management, monitoring and evaluation capacity through the provision of goods and consultant services, including Project audit, Training, and financing of Operating Costs.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Implementation Arrangements**

##### **A. Institutional Arrangements**

1. The Borrower shall maintain, throughout the duration of the Project, the Project Steering Committee with a composition and terms of reference acceptable to the Bank. The Project Steering Committee, which shall be chaired by the Minister of Agriculture, Forestry and Water Management, shall be responsible for overall Project oversight and coordination.

2. The Borrower shall maintain, throughout the duration of the Project, the Project Management Team with a composition, staff, resources and terms of reference acceptable to the Bank. The PMT shall be responsible for overall implementation, coordination, monitoring and evaluation of the Project. The PMT shall be headed by a Project Coordinator and shall comprise a Project Manager, a Monitoring and Evaluation Specialist and a part-time Environmental Specialist.

3. The TSU shall be responsible for procurement, financial management and disbursement activities under the Project in accordance with the provisions of this Agreement, the Project Operational Manual, the Grants Operational Manual, the Procurement Plan, and the MOU and, to this end, the Borrower shall maintain, throughout the duration of the Project, the TSU with a composition, staff, resources and terms of reference acceptable to the Bank.

4. The Borrower shall carry out the Project in accordance with this Agreement, the Project Operational Manual and the Grants Operational Manual, and shall not amend, suspend, abrogate, repeal or waive any provision of said Manuals without the prior written approval of the Bank.

##### **B. Anti-Corruption**

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

##### **C. Safeguards**

1. The Borrower shall carry out the Project in accordance with the Environmental Assessment and the Resettlement Policy Framework, and shall not amend, suspend, abrogate, repeal or waive any provision of said Assessment or Framework without the prior written approval of the Bank.



2. The Borrower shall ensure that no Loan proceeds are used to finance: (a) any new irrigation systems or extension of existing irrigation systems; (b) any agri-processing or other activities which could result in increased contamination of international water bodies; or (c) purchase of pesticides.

3. For purposes of Parts A.2 (c), B.1, and B.3 (a), (b), and (c) of the Project and prior to the commencement of works for each proposed site, the Borrower shall: (a) submit to the Bank for its approval: (i) the proposed site for said works and, where required by the EA and/or RPF, the related site-specific environmental management plan, land acquisition and/or resettlement plan and checklist, said site-specific plans and checklist to be in form and substance satisfactory to the Bank; and (ii) the proposed contract for said works to ensure that the provisions of said site-specific plans and checklist are adequately included in said contract; and (b) ensure that such works are carried out in accordance with the Resettlement Policy Framework.

#### **D. Sub-projects**

1. Sub-projects under Part A.1 of the Project shall be selected, appraised, implemented and evaluated in accordance with the principles, procedures and requirements set forth in the Grants Operational Manual, Procurement and Consultants Guidelines, Anti-Corruption Guidelines, Environmental Assessment and Resettlement Policy Framework.

2. The Borrower shall provide each Rural Development Grant under a Rural Development Grant Agreement with the respective Beneficiary on terms and conditions satisfactory to the Bank, which shall include the following:

- (a) the Rural Development Grant shall be denominated in EUR; and
- (b) the Borrower shall obtain rights adequate to protect its interests and those of the Bank, including the right to:
  - (i) suspend or terminate the right of the Beneficiary to use the proceeds of the Rural Development Grant, or obtain a refund of all or any part of the amount of the Rural Development Grant, upon the Beneficiary's failure to perform any of its obligations under the Rural Development Grant Agreement; and
  - (ii) 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 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, the EA and the RPF; (B) provide, promptly as needed, the resources required for the purpose; (C) procure the goods, works and services to be financed out of the Rural Development Grant in accordance with the provisions of this Agreement, and the Procurement Guidelines; (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.

3. The Borrower shall exercise its rights under each Rural Development Grant Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan.

## **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 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, through the TSU, 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 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. 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.
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.

<b>Procurement Method</b>
(a) National Competitive Bidding, subject to the modifications set forth in paragraph 3 below
(b) Shopping
(c) Community Participation Procurement.
(d) Commercial Practices
(e) Direct Contracting

3. Modifications to the Borrower’s National Competitive Bidding Procedures:
- (i) **Eligibility:** foreign bidders shall not be precluded from bidding, and no preference of any kind shall be given to national bidders.
  - (ii) **Procedures:** “Open procedures” shall be followed in all cases. Invitations to bid shall be advertised in at least one widely circulated national daily newspaper, allowing a minimum of thirty (30) days for the preparation and submission of bids.
  - (iii) **Pre-qualification:** when pre-qualification shall be required for large or complex works, invitations to pre-qualify for bidding shall be advertised in at least one (1) widely circulated national daily newspaper a minimum of thirty (30) days prior to the deadline for the submission of pre-qualification applications. Minimum experience, technical and financial requirements shall be explicitly stated in the pre-qualification documents.
  - (iv) **Participation by government-owned enterprises:** government-owned enterprises in Montenegro shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the government. Such enterprises shall be subject to the same bid and performance security requirements as other bidders.
  - (v) **Bidding documents:** procuring entities shall use the appropriate standard bidding documents for the procurement of works which shall contain draft contract and conditions of contract, satisfactory to the Bank.
  - (vi) **Submission of bids:** bidders may, at their option, deliver bids either in person, by courier service, or by mail at any time prior to the deadline set the submission of bids.

- (vii) **Bid opening and bid evaluation:** bids shall be opened in public and, if two envelopes are submitted for technical and price components, both shall be opened simultaneously. The time for the bid opening shall be the same as for the deadline for receipt of bids or immediately thereafter, and shall be announced, together with the place for bid opening, in the solicitation documents. Evaluation of bids shall be made in strict adherence to the monetarily quantifiable criteria declared in the bidding documents. Extension of bid validity shall be allowed once only for not more than thirty (30) days. No further extensions should be requested without the prior approval of the Bank. Contracts shall be awarded to qualified bidders having submitted the lowest evaluated substantially responsive bid. Negotiations shall not be allowed with the lowest evaluated bidder or any other bidder.
- (viii) **Price adjustment:** civil works contracts of long duration (e.g. more than eighteen (18) months) shall contain an appropriate price adjustment clause.
- (ix) **Rejection of bids:** all bids shall not be rejected and new bids solicited without the Bank's prior concurrence.
- (x) **Contracts:** all contracts shall be in writing, signed and stamped by authorized signatories of the purchaser and the supplier, and shall contain identical terms and conditions of contract to those included in the tender documents.
- (xi) **Securities:** bid securities shall not exceed two percent (2%) of the estimated cost of the contract; performance securities shall not exceed ten percent (10%). No advance payments shall be made to contractors without a suitable advance payment security. The wording of all such securities shall be included into the bidding documents and be acceptable to the Bank.

**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.

<b>Procurement Method</b>
<u>(a) Selection under a Fixed Budget</u>
<u>(b) Least Cost Selection</u>
<u>(c) Selection based on Consultants' Qualifications</u>
<u>(d) Selection of Individual Consultants</u>
<u>(e) Single-Source Selection for the Selection of Individual Consultants</u>

**D. Procurement of Operating Costs**

Incremental expenditures included in the Operating Costs category can be procured in accordance with the established Borrower's administrative procedures acceptable to the Bank.

**E. 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.

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in Euro)</b>	<b>Percentage of Expenditures to be financed</b>
(1) Rural Development Grants under Part A.1 of the Project	4,787,200	100%
(2) Goods, works, consultants' services and Training	6,067,900	100%
(3) Operating Costs	117,400	100%
(4) Front-end Fee	27,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(5) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount payable pursuant to Section 2.07(c) of this Agreement in accordance with Section 4.05(c) of the General Conditions
<b>TOTAL AMOUNT</b>	<b>11,000,000</b>	

**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, except that withdrawals up to an aggregate amount not to exceed EUR 350,000 equivalent may be made for payments made prior to this date but on or after January 1, 2009, for Eligible Expenditures under Categories (2) and (3); or
  - (b) for expenditures under Category (1) unless the Borrower has: (i) adopted a Grants Operational Manual, satisfactory to the Bank; and (ii) established a Proto-Paying Agency on terms and conditions satisfactory to the Bank.
2. The Closing Date is June 30, 2014.

### 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.

Principal Payment Date	Installment Share (Expressed as a Percentage)
November 1, 2014	11.00%
May 1, 2015	10.50%
November 1, 2015	10.00%
May 1, 2016	9.50%
November 1, 2016	9.00%
May 1, 2017	8.50%
November 1, 2017	8.00%
May 1, 2018	7.50%
November 1, 2018	7.00%
May 1, 2019	6.50%
November 1, 2019	6.50%
May 1, 2020	6.00%

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.

## APPENDIX

### Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Beneficiary” means a recipient of a Rural Development Grant under Part A.1 of the Project, and includes private agricultural holdings, producer organizations, small and medium sized enterprises, NGOs and tourist associations, all selected in accordance with criteria and procedures set forth in the Grants Operational Manual, and “Beneficiaries” means more than one such Beneficiary.
3. “Category” means a category set forth in the table in Section IV of Schedule 4 to this Agreement.
4. “Co-financier” means Global Environmental Facility or GEF, referred to in paragraph 15 of the Appendix to the General Conditions.
5. “Co-financing” means an amount of four million Dollars (\$4,000,000) to be provided by the Co-financier to assist in financing the Project.
6. “Co-financing Agreement” or “GEF Grant Agreement” means the agreement, of even date herewith, between the Borrower and the Bank, acting as an Implementing Agency of the Global Environmental Facility, providing for the Co-financing.
7. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
8. “Environmental Assessment” or “EA” means the assessment dated August 31, 2008, prepared and adopted by the Borrower and satisfactory to the Bank, consisting of the set of mitigation, monitoring, and institutional measures required for the Project and to be taken to eliminate adverse environmental and social 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, land acquisition and/or resettlement plans and checklists referred to in paragraph 3 of Part C of Section I of Schedule 2 to this Agreement.
9. “European Union Instrument for Pre-Accession Assistance for Rural Development” or EU IPARD means the financial instrument of the European

Community for pre-accession assistance for rural development within the framework of the European Partnerships with the potential candidate countries and the Accession Partnerships of the candidate countries.

10. “GEF Agreement” means the GEF Trust Fund Grant Agreement between the Borrower and the Bank of even date herewith.
11. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008).
12. “Grants Operational Manual” means the manual describing procedures for implementation of the Rural Development Grants under Part A.1 of the Project, to be adopted by the Borrower and satisfactory to the Bank, and including, *inter alia*: (a) adequate procedures and controls relating to eligibility, evaluation, selection, procurement and flow of funds for grants with a view to ensure use of funds for intended purposes; and (b) adequate environmental and social safeguard measures.
13. “MAFWM” means the Borrower’s Ministry of Agriculture, Forestry and Water Management and includes any successor thereto.
14. “Ministry of Finance” or “MOF” means the Borrower’s Ministry of Finance and includes any successor thereto.
15. “MOU” means a Memorandum of Understanding, dated January 16, 2009, between MOF and MAFWM, satisfactory to the Bank, defining the roles and obligations of the parties in the implementation of the Project.
16. “Operating Costs” means the incremental expenses incurred by the TSU on account of Project related communication and office supplies and the incremental expenses incurred by the Project Management Team on account of the Project management, monitoring and evaluation, which may include the maintenance of a vehicle (including fuel costs), costs of office and equipment rental and maintenance, translation and interpretation, communication, printing and publications, supplies, local travel costs and field trip expenses (including per diem), bank charges, and other miscellaneous costs directly associated with the Project implementation, all based on periodic budgets acceptable to the Bank.
17. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.

18. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated January 22, 2009 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.
19. “Project Management Team” or “PMT” means the Borrower’s Project Management Team to be established and maintained within MAFWM in accordance with paragraph 2 of Part A of Section I of Schedule 2 to this Agreement.
20. “Project Operational Manual” means the manual describing procedures for implementation of the Project, dated March 3, 2009, adopted by the Borrower and satisfactory to the Bank, and including, *inter alia*: (a) procedures governing staffing, procurement, accounting, financial management, including adequate measures for procurement and forensic audits, environmental and social safeguards, and monitoring and evaluation arrangements; and (b) the financial management manual.
21. “Project Steering Committee” means the Project Steering Committee to be established and maintained by the Borrower in accordance with paragraph 1 of Part A of Section I of Schedule 2 to this Agreement.
22. “Proto-Paying Agency means the body, established by the Borrower pursuant to paragraph 1(b) of Part B of Section IV of Schedule 2 to this Agreement, that will be responsible for (i) processing aid applications; (ii) authorizing and executing payments in line with the eligibility criteria defined in the Grants Operational Manual; (iii) organizing on-the-spot ex-ante and ex-post controls; and (iv) carrying out internal audits.
23. “Resettlement Policy Framework” or “RPF” means the Resettlement Policy Framework submitted to the Bank on November 14, 2008, which establishes the potential resettlement and compensation principles, organizational arrangements and design criteria to be applied to project implementation in compliance with the laws of Montenegro and the Bank’s safeguards policy on involuntary resettlement.
24. “Rural Development Grant” means a grant made or proposed to be made by the Borrower to a Beneficiary under Part A.1 of the Project; and “Rural Development Grants” means more than one such grant.
25. “Rural Development Grant Agreement” means the agreement entered into between the Borrower and a Beneficiary according to terms and conditions set forth in paragraph 2 of Part D of Section I of Schedule 2 to this Agreement, as such agreement may be amended from time to time by its parties.

26. “Sub-project” means a sub-project selected and approved by the Borrower to be financed by a Rural Development Grant in accordance with the criteria and procedures set forth in the Grants Operational Manual.
27. “Systematization Plan” means the action plan for the reorganization of agriculture sector institutions to be prepared by MAFWM in the desire to bring its institutional framework more in line with EU requirements.
28. “Training” means Project related study tours, training courses, seminars, workshops and other training activities, not included under goods or service providers’ contracts, including costs of training materials, space and equipment rental, travel, accommodation and per diem costs of trainees and trainers, trainers’ fees, and other training related miscellaneous costs.
29. “TSU” means the Technical Services Unit within the Borrower’s Ministry of Finance.