

**OFFICIAL  
DOCUMENTS**

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**LOAN NUMBER 8561-MK**

**Loan Agreement**

**(Second Municipal Services Improvement Project)**

**between**

**THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA  
(Borrower)**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated** *January 14*, 2016

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**LOAN AGREEMENT**

Agreement dated *January 14*, 2016, between the Borrower and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

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

**ARTICLE II — LOAN**

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of twenty-five million Euro (EUR 25,000,000), 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 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 Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.
- 2.06. The Payment Dates are March 15 and September 15 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 unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference 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 or the Reference 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 objective 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 Conditions of Effectiveness consist of the following, namely that the Project Operational Manual has been adopted by the Borrower in a manner acceptable 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 its Minister of Finance.
- 5.02. The Borrower's Address is:

Ministry of Finance  
Dame Gruev 12  
1000 Skopje

Facsimile:

389 2 3255 721

- 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

Telex:

248423(MCI) or  
64145(MCI)

Facsimile:

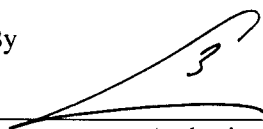
1-202-477-6391

AGREED at  
above written.

, as of the day and year first

BORROWER

By

  
\_\_\_\_\_  
Authorized Representative

Name: ZORAN STAVRESKI

Title: DEPUTY PRIME MINISTER AND  
MINISTER OF FINANCE

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND  
DEVELOPMENT

By

  
\_\_\_\_\_  
Authorized Representative

Name: ELLEN GOLDSTEIN

Title: COUNTRY DIRECTOR, ECCU4  
SOUTHEAST EUROPE

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to improve transparency, financial sustainability and inclusive delivery of targeted municipal services in the Participating Municipalities.

The Project consists of the following parts:

#### **Component A: Municipal Investments**

Provision of Sub-loans to Participating Municipalities to carry out investments in the areas of water and sanitation, road infrastructure (including construction and rehabilitation activities) and other revenue generating or cost saving investments in communal services or in other areas of high priority to Participating Municipalities, all selected in accordance with the criteria and procedures set forth in the Project Operational Manual.

#### **Component B: Poverty and Social Inclusion Investment Grants**

Provision of Poverty and Social Inclusion Investment Grants to Participating Municipalities as an incentive to carry out investments to improve infrastructure in poorer and marginalized communities within their respective jurisdictions, all selected in accordance with the criteria and procedures set forth in the Project Operational Manual.

#### **Component C: Project Management, Capacity Building, Monitoring and Evaluation**

Strengthening the capacity of the PMU, Participating Municipalities and communal service enterprises for Project management, monitoring and evaluation through the provision of goods, 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 operate and maintain, at all times during the implementation of the Project, the Project Coordination Committee with a composition, adequate resources and functions and responsibilities (including the responsibility to carry out overall Project coordination and supervision) satisfactory to the Bank.
2. Throughout the duration of the Project the Borrower shall maintain the PMU with a composition, adequate staff and resources and functions and responsibilities (including the responsibility to manage, coordinate, monitor and evaluate the implementation of the Project) satisfactory to the Bank.
3. The Borrower shall carry out the Project in accordance with the Project Operational Manual and shall not amend, suspend, abrogate, repeal or waive any provision of said manual without the prior 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. Sub-projects.**

1. Sub-projects under Components A and B of the Project shall be selected, appraised, implemented and evaluated in accordance with the principles, procedures and requirements set forth in the Project Operational Manual, the Procurement and Consultants Guidelines, the Anti-Corruption Guidelines, the EAMF and the RPF.
2. Upon approval of any given Sub-project, the Borrower shall provide each Sub-loan or Grant (as the case may be) to the selected Participating Municipality pursuant to an agreement (the Sub-loan Agreement or the Grant Agreement, as the case may be) to be entered into between the Borrower and said Participating Municipalities on terms and conditions satisfactory to the Bank, which shall include, *inter alia*, the following:
  - (a) each Sub-loan or Grant shall be denominated in Macedonian Denars;
  - (b) the total maturity of each Sub-loan shall not exceed thirteen (13) years, including up to three (3) years of grace period, provided that the last repayment date of each Sub-loan shall not exceed the last repayment date of the Loan;

- (c) the interest payable by a Sub-loan recipient shall be equal to the interest payable by the Borrower to the Bank according to this Loan Agreement; and
- (d) under each Sub-loan Agreement and Grant Agreement 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 respective Participating Municipality to use the proceeds of the Sub-loan or Poverty and Social Inclusion Investment Grant, or obtain a refund of all or any part of such Sub-loan or Grant, upon said Municipality's failure to perform any of its obligations under the respective Sub-loan Agreement or Grant Agreement; and
  - (ii) require each Participating Municipality to: (A) carry out its Subproject 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 Project Operational Manual, the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower, the EAMF, the RPF, and any site-specific environmental management plan and/or resettlement plan (as applicable); (B) provide, promptly as needed, the resources required for the purpose of the Sub-project; (C) procure the goods, works and services to be financed out of the Sub-loan or Grant in accordance with the provisions of this Agreement, including the Procurement Guidelines and Consultant 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 Sub-project.

- 3. The Borrower shall exercise its rights and carry out its obligations under each Sub-loan Agreement and Grant Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Project. Except



as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, terminate, waive or fail to enforce any Sub-loan Agreement or any Grant Agreement.

**D. Safeguards.**

1. The Borrower shall (a) carry out the Project and (b) cause the Participating Municipalities to carry out their pertinent Sub-projects, all in accordance with the Environmental Assessment Management Framework and the Resettlement Policy Framework, and shall not amend, suspend, abrogate, repeal or waive any provision of the EAMF or the RPF without the prior approval of the Bank.
2. The Borrower shall ensure that no Loan proceeds are used to finance activities which are expected to generate significant adverse, long lasting and irreversible environmental effects.
3. For purposes of carrying out and prior to the commencement of any activity under any Sub-project, the Borrower shall: (a) submit to the Bank for its approval: (i) the proposed site for said works and, where required by the EAMF and/or RPF, the related site-specific environmental management plan, 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 activities to ensure that the provisions of said site-specific plans and checklist are adequately included in said contract; and (b) ensure that such activities are carried out in accordance with the EAMF, the RPF, and any site-specific environmental management plan, and/or resettlement plan (as applicable), and in a manner acceptable to the Bank.

**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 the indicators acceptable to 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 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 Component 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 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, works and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

#### **B. Particular Methods of Procurement of Goods and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions included in the Annex to this Schedule 2; (b) Shopping; and (c) Direct Contracting.

#### **C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed

Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

**D. Review by the Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in Euro)</b>	<b>Percentage of Expenditures to be financed (inclusive of Taxes)</b>
(1) Goods, works, non-consulting services, consultants’ services, Operating Costs and Training for the Project (including under Sub-projects, as applicable)	24,937,500	100%
(2) Front-end Fee	62,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(3) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 2.08(c) of this Agreement
<b>TOTAL AMOUNT</b>	<b><u>25,000,000</u></b>	

3. For purposes of this table:
  - (a) the term “Operating Costs” means incremental operating costs incurred by the PMU on account of Project implementation, management and monitoring, including dissemination of Project related information and publications, office rent and utilities, insurance, maintenance and repair of office equipment and vehicles, local travel, communication, translation and interpretation, bank charges, and other miscellaneous costs directly associated with the Project, all based on periodic budgets acceptable to the Bank; and

- (b) “Training” means Project related study tours, training courses, seminars, workshops and other training activities (not included under goods or consultants’ services), 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.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is March 31, 2021.

## Annex to Schedule 2

### **Additional Provisions for National Competitive Bidding**

In order to ensure economy, efficiency, transparency and broad consistency with the provisions of Section I of the Procurement Guidelines, the following criteria shall be followed in procurement under National Competitive Bidding procedures:

(a) *Generalities*

Bidding shall be conducted using "Open Procedures." Furthermore, restricted procedure shall not be used without the express consent of the Bank and is subject to the following conditions:

- the contracting authority shall invite all the candidates that meet the selection criteria; and
- no maximum number of selected candidates shall apply.

(b) *Registration*

- Bidding shall not be restricted to pre-registered firms.
- Where registration is required, bidders (1) shall be allowed a reasonable time to complete the registration process, and (2) shall not be denied registration for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.
- Foreign bidders shall not be precluded from bidding. If a registration process is required, a foreign bidder declared the lowest evaluated bidder shall be given a reasonable opportunity to register.

(c) *Advertising, time for submission of bids*

- Invitations to bid shall be advertised in at least one widely circulated national daily newspaper. Invitations could be also advertised on the web sites of the Public Procurement Bureau and respective ministry.
- Time allowed for the preparation and submission of bids shall not be less than thirty (30) days from the time of the invitation to bid or the date of availability of bidding documents, whichever is later.

(d) *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. Invitations could be also published on the web sites of the Public Procurement Bureau and respective ministry.
- Time allowed for the preparation and submission of bids shall not be less than thirty (30) days from the time of the invitation to bid or the date of availability of bidding documents, whichever is later.

- Minimum experience, and technical and financial requirements, shall be explicitly stated in the pre-qualification documents.

(f) *Participation of Publicly-owned enterprises*

Publicly-owned enterprises shall be eligible to participate in bidding only if they can establish to the Bank that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the contracting authority. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

(f) *Bidding Documents*

Procuring entities shall use the appropriate standard bidding documents acceptable to the Bank for procurement of goods, non-consulting services and works.

(g) *Bid Opening, Bid Evaluation and Contract Award*

- 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.
- No bids shall be rejected at the bid opening except for late bids and bids shall not be evaluated as part of bid opening process.
- The economic, financial and technical capacity of the bidders cannot be guaranteed by another entity, except joint venture and observing those criteria set up in the bidding documents.
- Evaluation of bids shall be made in strict adherence to the quantifiable criteria declared in the bidding documents and evaluation criteria other than price shall be quantified in monetary terms.
- Bids not substantially responsive shall be rejected.
- Extensions of bid validity will be allowed once only for not more than 30 days. No further extensions shall be requested without the prior approval of the Bank.
- Contracts shall be awarded to the qualified bidder having submitted the lowest-evaluated and substantially responsive bid. No negotiation shall take place.

(h) *Rejection of all bids*

All bids shall not be rejected and a new procurement process shall not start without the Bank's prior concurrence.

(i) *Price Adjustment*

Civil works contracts of long duration (more than 18 months) shall contain a price adjustment clause acceptable to the Bank.

(j) *Securities*

- Bid security and performance security should follow the generally accepted practice used in the local market.

- Alternative methods such as bid securing declaration may be acceptable, in which case the Borrower or the Participating Municipality (as the case may be) may require bidders to sign a declaration accepting that if they withdraw or modify their bids during the period of validity or they are awarded the contract and they fail to sign the contract or to submit a performance security before the deadline defined in the bidding documents, the bidder will be suspended for bidding in any contract with the implementing unit.
- No advance payment shall be made to contractors without a suitable advance payment security. These securities shall be included in the bidding documents in a text and format acceptable to the Bank.

(k) *Right to inspect and audit*

Without limitation to the provisions of paragraph 1.16 of the Procurement Guidelines, each contract financed from the proceeds of the Loan shall provide that the suppliers, contractors and subcontractors shall permit the Bank, at its request, to inspect their accounts and records relating to the procurement and performance of the contract and to have said accounts and records audited by auditors appointed by the Bank. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.

(l) *Fraud & Corruption*

Without limitation to the provisions of paragraph 1.16 of the Procurement Guidelines, the Bank shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Bank, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in procurement for, or in executing, a contract financed by the Bank.



### SCHEDULE 3

#### Amortization Schedule

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

<b>Principal Payment Date</b>	<b>Installment Share (Expressed as a Percentage)</b>
On each March 15 and September 15 Beginning March 15, 2021 through March 15, 2033	3.85%
On September 15, 2033	3.75%

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

### Section I. 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 and revised in January 2011.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
4. “Environmental Assessment Management Framework” or “EAMF” means the Borrower’s Environmental Assessment Management Framework dated October 2015, as published in InfoShop on October 14, 2015, in form and substance satisfactory to the Bank, consisting of, *inter alia*, the set of mitigation, monitoring, and institutional measures and procedures required under the Project, including Sub-projects, in order to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, as well as actions needed to implement said measures, as said framework may be amended from time to time with the Bank’s prior written approval.
5. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012, with the modifications set forth in Section II of this Appendix.
6. “Grant Agreement” means any agreement between a Participating Municipality and the Borrower for provision of a Poverty and Social Inclusion Investment Grant referred to in Section I.C.2 of Schedule 2 to this Agreement and a model Grant Agreement satisfactory to the Bank.
7. “Macedonian Denars” means the currency of the Borrower.
8. “Participating Municipality” means any municipality in the Borrower’s territory selected to participate in the Project in accordance with the relevant criteria set forth in the Project Operational Manual.
9. “Poverty and Social Inclusion Investment Grant” means a grant provided or to be provided out of the proceed of the Loan to a Participating Municipality to finance a Sub-project under Component B of the Project.
10. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).

11. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated October 16, 2015 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
12. “Project Coordination Committee” means the inter-ministerial committee referred to in Section I.A.1 of Schedule 2 to this Agreement and established by the Borrower on April 2, 2015 through Decision No. 04-3745/1 of April 2, 2015 issued by the Borrower’s Ministry of Finance.
13. “Project Management Unit” or “PMU” means the project management unit established by the Borrower within its Ministry of Finance through Decision No. 04-18070/1, dated April 23, 2008 issued by the Borrower’s Ministry of Finance and referred to in Section I.A.2 of Schedule 2 to this Agreement.
14. “Project Operational Manual” means the Borrower’s operational manual, acceptable to the Bank, setting forth the operational requirements, criteria, institutional arrangements and operational procedures for the implementation of the Project, including, *inter alia*, procurement, financial management, disbursement, accounting, audit, environmental and social safeguards requirements, monitoring and evaluation arrangements, Sub-projects selection criteria, Sub-loans and Grants terms and conditions and processing procedures (including a model form of a Sub-loan Agreement and a Grant Agreement), as said manual may be amended from time to time with the agreement of the bank.
15. “Resettlement Policy Framework” or “RPF” means the Borrower’s Land Acquisition and Resettlement Policy Framework dated October 2015, as published in InfoShop on October 14, 2015, in form and substance satisfactory to the Bank, which establishes, *inter alia*, the resettlement and compensation principles and procedures, organizational arrangements and design criteria to be applied to the Project implementation including the guidelines for the preparation and implementation of resettlement plans (acceptable to the Bank), as the case may be, as said framework may be amended from time to time with the Bank’s prior written approval.
16. “Sub-loan” means a subsidiary loan provided or to be provided out of the proceeds of the Loan to a Participating Municipality to finance a Sub-project under Component A of the Project.
17. “Sub-loan Agreement” means any agreement between a Participating Municipality and the Borrower for provision of a Sub-loan referred to in Section I.C.2 of Schedule 2 to this Agreement.
18. “Sub-project” means any investment referred to in Components A and B of the Project.

**Section II. Modifications to the General Conditions**

The General Conditions are hereby modified as follows:

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1. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.
2. Section 3.01. (*Front-end Fee*) is modified to read as follows:  
  
“Section 3.01. *Front-end Fee; Commitment Charge*  
  
(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the “Front-end Fee”).  
  
(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the “Commitment Charge”). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date.”
3. In the Appendix, **Definitions**, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.
4. The Appendix is modified by inserting a new paragraph 19 with the following definition of “Commitment Charge”, and renumbering the subsequent paragraphs accordingly:  
  
“19. “Commitment Charge” means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b).”
5. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of “Front-end Fee” is modified by replacing the reference to Section 3.01 with Section 3.01 (a).
6. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term “Loan Payment” is modified to read as follows:  
  
“68. “Loan Payment” means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower.”
7. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of “Payment Date” is modified by deleting the word “is” and inserting the words “and Commitment Charge are” after the word “interest”.