H.E. Zoran Stavreski  
Deputy Prime Minister and Minister of Finance  
Ministry of Finance  
Mito Hadzivasilev Jasmin bb  
Skopje  

Re: Conditional Cash Transfers Project (Loan No.7735-MK)  
Amendment to the Loan Agreement

Your Excellency:

We refer to the Loan Agreement (Loan No. IBRD 7735-MK) between the Borrower and the International Bank for Reconstruction and Development (the Bank) for the above-referenced Project, dated September 2, 2009 (the Loan Agreement). We also refer to your requests on behalf of the Borrower contained in your letters dated December 29, 2009 and November 23, 2010 to amend the Loan Agreement.

I am pleased to inform you that, after careful consideration, the Bank proposes to amend the Loan Agreement as follows:

1. The table set forth in Section IV.A.2 (Withdrawal of Loan Proceeds) of Schedule 2 to the Loan Agreement is amended to read as follows:

<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) Grants under Part A of the Project</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>(a) Education grants under Part A.1 of the Project:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>i. grants for school year 2010/11</td>
<td>2,200,000</td>
<td></td>
</tr>
<tr>
<td>ii. grants for school years starting school year 2011/12</td>
<td>525,000</td>
<td></td>
</tr>
<tr>
<td>(b) CCT program grants under Part A.2 (b) of the Project</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2. The withdrawal condition set forth in Section IV.B.1(b) of Schedule 2 to the Loan Agreement is amended to read as follows:

“(b) (i) for grants under Category (1)(a)(i), unless an interim software solution to be used for the administration of the grants has been developed, tested and is operating in a manner satisfactory to the Bank;

(ii) for grants under Category (1)(a)(ii) and Category (1)(b), unless the software system for cash benefits is developed, tested and operating in a manner satisfactory to the Bank; or”

All the other terms and conditions of the Loan Agreement, as amended hereby, shall remain in full force and effect.

Please confirm your agreement to the foregoing amendment by signing, dating and returning to us one of the original copies of this Amendment Letter. This Amendment Letter will come into force and effect as of the date of your countersignature upon receipt by the Bank of the said duly countersigned original Amendment Letter.

Sincerely,

By: /s/ Jane Armitage
Country Director and Regional Coordinator
for South East Europe
Europe and Central Asia Region

CONFIRMED AND AGREED:

BORROWER

By: /s/ Zoran Stavreski
Name: Zoran Stavreski
Title: Vice Prime Minister and Minister of Finance
Date: February 8, 2011

cc: H.E. Xhelal Bajrami, Minister of Labor and Social Policy
    H.E. Nikola Todorov, Minister of Education and Science
    Ms. Suzana Peneva, Head of EU Harmonization and International Finance Department, Ministry of Finance
    Mr. Rudolf Jan Treffers, Executive Director, World Bank
Cleared w/ and cc: Rieger (LEGEM), Chistyakov (CTRFC)

Cc: Macedonia DL, ECSHD Sector Staff, Lindert, Dulitzky, Naceva, Cemerska, (ECSHD), MK CCT
Crnomarkovic (ECSPS), Sopova, (ECCMK), LOA-ECA, SFRCR ECA,