June 7, 2012

H.E. Zoran Stavreski
Deputy Prime Minister and Minister of Finance
Ministry of Finance
Mito Hadzivasilev Jasmin No. 50
Skopje

Municipal Services Improvement Project (Loan No. 7699-MK)
Amendment to the Loan Agreement

Excellency,

We refer to the above-referenced Loan Agreement (Agreement) between the Borrower and the Bank, dated June 29, 2009 and to our correspondences regarding amendments to the Agreement. The Bank accordingly proposes to amend the Agreement as follows:

Project Description

1. Component A of Schedule I to the Agreement shall be amended to read as follows:

"Provision of Sub-loans to the Participating Municipalities to finance Sub-projects in the area of water and sanitation services, solid waste management and other investments in municipal services with revenue-generating or cost saving potential or of high priority to municipalities selected in accordance with the criteria and procedures set forth in the Project Operational Manual."

2. Component B.3 of Schedule 1 to the Agreement shall be amended to read as follows:

"3. Institutional strengthening of the Borrower’s national agencies through study of policy issues and strategy development related to thematic areas such as the transparency and financial sustainability of municipal services and the delivery of targeted municipal services."

Safeguards

3. Section I.C.2 of Schedule 2 to the Agreement shall be amended to read as follows:

"2. The Borrower shall ensure that no Loan proceeds are used to finance activities which are excluded pursuant to the provisions of the POM and EAMF, including, but not limited to, those expected to generate significant adverse, long lasting and irreversible environmental effects."
4. Section I.C.3 of Schedule 2 to the Agreement shall be amended to read as follows:

"3. For purposes of Sub-projects under Components A 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 EAMF and/or LARPF, the related site-specific environmental management plan, land acquisition and/or resettlement plan and checklist, including satisfactory evidence of consultations held and of adequate disclosure of said plans; and (ii) said site-specific plans and checklist to be in form and substance satisfactory to the Bank; and (iii) 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 EAMF and/or LARPF and the site-specific environmental management plan, land acquisition and/or resettlement plan and checklist."

Sub-projects

5. Section I.D.1 of Schedule 2 to the Agreement shall be amended to read as follows:

"1. Sub-projects under Components A and C of the Project shall be selected, appraised, implemented and evaluated in accordance with the principles, procedures and requirements set forth in the POM, Procurement and Consultants Guidelines, Anti-Corruption Guidelines, EAMF and LARPF and any site-specific environmental management plan, land acquisition and/or resettlement plan and checklist."

6. Section I.D.2(d)(ii)(A) of Schedule 2 to the Agreement shall be amended to read as follows:

“(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 EAMF and the LARPF and any site-specific environmental management plan, land acquisition and/or resettlement plan and checklist;”

Closing Date

7. Section IV.B.2 of Schedule 2 to the Agreement shall be amended to read as follows:

"2. The Closing Date is November 30, 2017."

Definitions

8. Paragraph 18 of the Appendix to the Agreement shall be amended to read as follows:

"“Sub-project” means an investment project in the area of water and sanitation services, solid waste management or other investment in municipal services with revenue-generating or cost saving potential or of high priority to municipalities selected for
financing under Component A or Component C of the Project in accordance with the criteria and procedures set forth in the Project Operational Manual.”

Defined terms used in this letter and not defined herein shall have the meanings given to them in the Loan Agreement.

All other terms of the Loan Agreement shall remain the same.

Please confirm your agreement with the foregoing, on behalf of the Borrower by signing, dating and returning to us the enclosed copy of this letter. Upon receipt by the World Bank of a countersigned copy of this letter, the amendment will become effective as of the date of the countersignature.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

[Signature]

Lilia Burunciuc
Country Manager
Authorized Representative

CONFIRMED AND AGREED:

BORROWER

By: [Signature]

Authorized Representative

Name: Zoran Stavreski
Title: Deputy Prime Minister and Minister of Finance
Date: 07.06.2012