Loan Assignment and Assumption Agreement

among

FORMER YUGOSLAV REPUBLIC OF MACEDONIA
(Original Borrower)

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
(Bank)

and

PUBLIC ENTERPRISE FOR STATE ROADS
(New Borrower)

Dated July 12, 2013
LOAN ASSIGNMENT AND ASSUMPTION AGREEMENT

AGREEMENT dated July 12, 2013, among the Original Borrower, the Bank and the New Borrower.

WHEREAS (A) by a loan agreement between the Bank and the Original Borrower, dated July 21, 2008 (the Original Loan Agreement), the Bank made a loan to the Original Borrower in an amount of seventy million Euro (EUR 70,000,000) (Loan 7532 MK) (Loan) on the terms and conditions set forth in the Original Loan Agreement;

(B) by Government Decision number 41-10147/1 of December 28, 2012 (Official Gazette 1/13) the Original Borrower established the New Borrower, to replace the Original Borrower’s Agency for State Roads, formerly known as FNRR;

(C) the Original Borrower has requested to assign the Loan and the New Borrower has agreed to assume the Loan, and the Original Borrower and the New Borrower have requested the Bank to agree to the undertaking by the New Borrower of all the rights and obligations in respect of the Loan as provided in this Loan Assignment and Assumption Agreement including the assumed and amended loan agreement set forth in the Annex to this Loan Assignment and Assumption Agreement (Assumed and Amended Loan Agreement);

(D) the Bank has agreed to the request of the Original Borrower and the New Borrower;

(E) The Assumed and Amended Loan Agreement supersedes the Original Loan Agreement;

(F) by guarantee agreement between the Original Borrower as guarantor and the Bank of even date herewith (the Guarantee Agreement), the Original Borrower as guarantor guarantees all obligations of the New Borrower contained or referred to in this Loan Assignment and Assumption Agreement including the Assumed and Amended Loan Agreement, on the terms and conditions set forth in the Guarantee Agreement; and

(G) the Bank has agreed, on the basis, inter alia, of the foregoing to enter into this Loan Assignment and Assumption Agreement on the terms and conditions hereinafter set forth and in the aforesaid Guarantee Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:
ARTICLE I

Definitions

Section 1.01. Wherever used in this Loan Assignment and Assumption Agreement, unless the context otherwise requires, the terms defined in the Preamble to this Loan Assignment and Assumption Agreement shall have the respective meanings therein set forth.

ARTICLE II

Assumption and Amendment

Section 2.01. The New Borrower hereby accepts the rights and benefits, and assumes the obligations, of the Original Borrower set forth or referred to in the Assumed and Amended Loan Agreement, including the obligation to make payment of principal, interest, service, and other charges, and to carry out the activities set forth or referred to in the Assumed and Amended Loan Agreement.

Section 2.02. The Original Borrower hereby acknowledges and accepts the assumption by the New Borrower of the rights and obligations referred to in Section 2.01 of this Loan Assignment and Assumption Agreement.

Section 2.03. The Bank hereby acknowledges, confirms, and agrees that the assumption by the New Borrower of the obligations referred to in Section 2.01 of this Loan Assignment and Assumption Agreement releases and discharges the Original Borrower of its corresponding obligations under the Assumed and Amended Loan Agreement.

Section 2.04. All actions taken, rights acquired or obligations incurred under the Original Loan Agreement by the Original Borrower shall be valid and binding upon the New Borrower.

Section 2.05. The Bank and the New Borrower agree to the Assumed and Amended Loan Agreement set forth in the Annex to this Loan Assignment and Assumption Agreement, and the Assumed and Amended Loan Agreement supersedes the Original Loan Agreement.

ARTICLE III

Effectiveness

Section 3.01. This Loan Assignment and Assumption Agreement (including the Assumed and Amended Loan Agreement) and the Guarantee Agreement shall not become effective until evidence satisfactory to the Bank has been furnished to the Bank that:

(a) The updated Project Operational Manual, satisfactory to the Bank, has been adopted by the New Borrower;
(b) Each of the execution and delivery of the Loan Assignment and Assumption Agreement on behalf of each the Original Borrower and the New Borrower, and the Assumed and Amended Loan Agreement on behalf of the New Borrower have been duly authorized or ratified by all necessary governmental and corporate action; and

(c) The execution and delivery of the Guarantee Agreement on behalf of the Original Borrower as Guarantor has been duly authorized or ratified by all necessary governmental and corporate action;

Section 3.02. As part of the evidence to be furnished pursuant to Section 3.01, there shall be furnished to the Bank an opinion or opinions satisfactory to the Bank of counsel acceptable to the Bank or, if the Bank so requests, a certificate satisfactory to the Bank of a competent official of the Member Country showing the following matters:

(a) on behalf of each the Original Borrower and the New Borrower, that the Loan Assignment and Assumption Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, each the Original Borrower and the New Borrower and is legally binding upon each the Original Borrower and the New Borrower in accordance with its terms;

(b) on behalf of the New Borrower, that the Assumed and Amended Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the New Borrower and is legally binding upon the New Borrower in accordance with its terms; and

(c) on behalf of the Original Borrower as Guarantor that the Guarantee Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Original Borrower as Guarantor and is legally binding upon the Original Borrower as Guarantor in accordance with its terms; and

Section 3.03. (a) Except as the Bank, the Original Borrower and the New Borrower shall otherwise agree, this Loan Assignment and Assumption Agreement (including the Assumed and Amended Loan Agreement) shall enter into effect on the date on which the Bank dispatches to the Original Borrower and the New Borrower a notice of its acceptance of evidence required pursuant to Sections 3.01 and 3.02 of this Loan Assignment and Assumption Agreement ("Effective Date").

(b) If, before the Effective Date, any event has occurred which would have entitled the Bank to suspend the right of the New Borrower to make withdrawals from the Loan Account if the Assumed and Amended Loan Agreement had been effective, or the Bank has determined that an extraordinary situation provided for under Section 3.08 (a) of the General Conditions (as defined in the Assumed and Amended Loan Agreement) exists, the Bank may postpone the dispatch of the
notice referred to in paragraph (a) of this Section until such event (or events) or situation has (or have) ceased to exist.
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Loan Assignment and Assumption Agreement to be signed in their respective names in Skopje, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: Denis Boshovski

Title: Sr. Country Ops. Officer AND Acting Country Manager

ORIGINAL BORROWER

By

Authorized Representative

Name: Zoran Stavreski

Title: Deputy Prime Minister AND Minister of Finance

NEW BORROWER

By

Authorized Representative

Name: Lyndo Georgievski

Title: Director PESR
Assumed and Amended Loan Agreement

(Regional and Local Roads Program Support Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

PUBLIC ENTERPRISE FOR STATE ROADS

Dated [__], 2013

1 Same date as date of Loan Assignment and Assumption Agreement
LOAN AGREEMENT

Agreement dated [2], between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and PUBLIC ENTERPRISE FOR STATE ROADS ("Borrower") a public enterprise established and operating under the laws of the former Yugoslav Republic of Macedonia ("Guarantor") pursuant to the Guarantor's Decision number 41-10147/1 of December 28, 2012 (Official Gazette 1/13). 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 seventy million Euro (€70,000,000), 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

\[2\] Same date as date of Loan Assignment and Assumption
shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.

2.05. The Payment Dates are March 15 and September 15 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in 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 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.

2.08 Without limitation upon the provisions of Section 5.10 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

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 - REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following, namely that the Decision or the by-laws of the Borrower governing the Borrower’s activities have been amended, suspended, abrogated, repealed or waived, or the Guarantor shall have enacted new legislation or issued new directives, so as to affect
materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement.

4.02. The Additional Event of Acceleration consists of the following: namely that the event specified in Section 4.01 of this Agreement occurs.

ARTICLE V - REPRESENTATIVE; ADDRESSES

5.01. The Borrower’s Representative is its Director.

5.02. The Borrower’s Address is:

Public Enterprise for State Roads
Dame Gruev 14
1000 Skopje

Facsimile:
+389 232 20535

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 248423(MCI)
Facsimile: 1-202-477-6391
AGREED at Skopje, as of the day and year first above written.

PUBLIC ENTERPRISE FOR STATE ROADS

By  __________________________
    Authorized Representative

Name: __________________________

Title: __________________________

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By  __________________________
    Authorized Representative

Name: __________________________

Title: __________________________
SCHEDULE 1

Project Description

The objective of the Project is to reduce the cost of safe access to markets and services for communities served by regional and local roads in the Guarantor’s territory, and to improve institutional capacity for investment planning and road safety.

The Project consists of the following parts:

Part I: Rehabilitation and Periodic Maintenance of Regional Roads

Carrying out localized repairs, periodic maintenance and rehabilitation works on about 284 km of selected regional road sections.

Part II: Rehabilitation and Periodic Maintenance of Local Roads

Carrying out localized repairs and various types of rehabilitation and upgrading works on about 420 km of selected paved and unpaved local roads, including the preparation of the bidding documents relating thereto through the provision of technical advisory services.

Part III: Institutional Support

1. Strengthening the Guarantor's and the Borrower’s capacity to manage and maintain the road network through the provision of: (i) advisory services to the Borrower and the MTC; (ii) Training to the staff of the Borrower and the MTC; and (iii) office and information and technology equipment, and vehicles.

2. Carrying out the financial and technical audits for the Project.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall be responsible for day-to-day Project implementation and for procurement, financial management, disbursement and monitoring, and reporting for the entire Project. To that end, the Borrower shall maintain adequate staff and resources, in a manner satisfactory to the Bank, and shall maintain adequate management, with terms of reference and a composition satisfactory to the Bank.

2. The Borrower shall select the local roads to be improved under Part II of the Project based on proposals made by municipalities, and in accordance with the Project Operational Manual.

3. The Borrower shall:
   
   (a) within eighteen (18) months of the Effective Date, have completed implementation of an Enterprise Resources Planning (ERP) System, in form and scope satisfactory to the Bank;

   (b) within twelve (12) months of the Effective Date, have (i) completed a road inventory and condition survey of its Core Road Network; and (ii) established a Road Asset Management System for its road network, each in form, substance and scope satisfactory to the Bank; and

   (c) by July 30, 2013, have submitted a proposal for a Five-year Strategic Program for the period 2013 to 2017 for adoption by the Guarantor’s government, and shall update such program on a yearly basis. The annual program and budget of the Borrower for each respective year shall be consistent with such Five-year Strategic Program, as adopted by the Guarantor’s government, for that respective year.

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: (i) take all necessary measures to implement the Project in accordance with the Project Operational Manual, the SEA, the EAMF, the RPF, the EIAs, the EMPs and the RAPs, and shall not amend, suspend, abrogate, repeal or waive any provision of the Project Operational Manual, the SEA, the EAMF, the RPF, the EIAs, the EMPs and the RAPs, without prior approval of the Bank; and (ii) ensure that adequate information on the implementation of the SEA, the EAMF, the RPF, the EIAs, the EMPs and the RAPs is suitably included in the Project Reports referred to in Section II.A.1 of this Schedule, and in the report referred to in Section II.A.2 (a) of this Schedule 2.

2. The Borrower shall ensure that all measures identified and described in the SEA, the EAMF and the RPF are taken in a timely manner.

3. The Borrower shall:

(a) prior to commencing civil works for any specific road section and when required under the EAMF, carry out an EIA in form and in substance satisfactory to the Bank;

(b) in the event that an EIA determines that such civil works, if carried out, would have in the opinion of the Bank, a potential for adverse environmental impact, not approve the carrying out of such civil works until an appropriate EMP under the EAMF has been prepared by the Borrower and agreed upon by the Bank to mitigate such potential negative impact; and

(c) thereafter carry out such EMP.

4. Prior to commencement of civil works for any specific road section involving involuntary resettlement or involuntary acquisition of land, the Borrower shall prepare and implement appropriate an RAP or RAPs, as the case may be, for compensation, or resettlement, in accordance with the RPF, such RAP or RAPs to be in form and substance satisfactory to the Bank.

D. Financial Covenants

1. (a) Except as the Bank shall otherwise agree, beginning December 31, 2013, the Borrower shall not incur any debt unless a reasonable forecast of the revenues and expenditures of the Borrower shows that the estimated net revenues of the Borrower for each fiscal year during the term of the debt to be incurred shall be at least 1.2 times the estimated debt service requirements of the Borrower in such year on all debt of the Borrower including the debt to be incurred.

(b) For the purposes of this Section:
(i) The term "debt" means any indebtedness of the Borrower maturing by its terms more than one year after the date on which it is originally incurred.

(ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.

(iii) The term "net revenues" means the difference between:

(A) the sum of revenues from all sources related to operations and net non-operating income; and

(B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.

(iv) The term "net non-operating income" means the difference between:

(A) revenues from all sources other than those related to operations; and

(B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

(v) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.

(vi) The term "reasonable forecast" means a forecast prepared by the Borrower not earlier than twelve months prior to the incurrence of the debt in question, which both the Bank and the Borrower accept as reasonable and as to which the Bank has notified the Borrower of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of the Borrower.
(vii) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

2. (a) Except as the Bank shall otherwise agree, beginning December 31, 2013, the Borrower shall maintain a ratio of current assets to current liabilities of not less than 1.

(b) Before June 30 in each of its fiscal years, the Borrower shall, on the basis of forecasts prepared by the Borrower and satisfactory to the Bank, review whether it would meet the requirements set forth in paragraph (a) in respect of such year and the next following fiscal year and shall furnish to the Bank the results of such review upon its completion.

(c) If any such review shows that the Borrower would not meet the requirements set forth in paragraph (a) for the Borrower's fiscal years covered by such review, the Borrower shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its rates) in order to meet such requirements.

(d) For the purposes of this Section:

(i) The term "current assets" means cash, all assets which could in the ordinary course of business be converted into cash within twelve months, including account receivable, marketable securities, inventories and pre-paid expenses properly chargeable to operating expenses within the next fiscal year.

(ii) The term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within twelve months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends.

(iii) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.

(iv) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of
the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange 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 indicators agreed with the Bank. Each Project Report shall cover the period of one calendar year, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.

2. Without limitation on the provisions in paragraph 1 of this Sub-section, the Borrower shall:

   (a) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, eighteen (18) months after the Effective Date or such later date as the Bank shall determine, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 1 of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof during the period following such date; and

   (b) review with the Bank, nineteen (19) months after the Effective Date or such later date as the Bank shall determine, the report referred to in paragraph (a) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the said report and the Bank’s views on the matter.

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. 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.

4. The Borrower shall have its entity financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one fiscal year of the Borrower, and the Borrower shall ensure that its audited entity financial statements for each period shall be: (a) furnished to the Bank not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.

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.
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) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(b) Least Cost Selection</td>
</tr>
<tr>
<td>(c) Selection based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(e) Sole Source Procedures for the Selection of 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 (Exclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Works, Consultants' Services and Training for the Project</td>
<td>69,825,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>175,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>70,000,000</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 for payments made prior to the date of this Agreement.

2. The Closing Date is July 31, 2015.
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.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 15 and September 15 beginning September 15, 2013 through September 15, 2027</td>
<td>3.33%</td>
</tr>
<tr>
<td>On March 15, 2028</td>
<td>3.43%</td>
</tr>
</tbody>
</table>

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

Definitions


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


5. "Core Road Network" means such portion of the national and regional road network, as agreed with the Bank, that comprises the most important roads in the Guarantor's territory, judging from the level of traffic on such roads and/or the importance of settlements such roads connect.

6. "Decision" means the Guarantor's Decision on Establishing a Public Enterprise for State Roads (Decision number 41-10147/1 of December 28, 2012 (Official Gazette 1/13)) pursuant to which the Borrower was established and is operating.

7. "EAMF" means the Environmental Assessment and Management Framework, satisfactory to the Bank and adopted by the Guarantor on March 5, 2008, and adopted by the Borrower on April 30, 2013, setting forth procedures for the environmental screening of the activities under Part I and Part II of the Project, as well as details for the carrying out of the EIAs and the preparation of the EMPs.

8. "EIA" means an Environmental Impact Assessment, including public consultation, satisfactory to the Bank, to be carried out, as the case may be, in respect of the activities under Part I or Part II of the Project.

9. "EMP" means an Environmental Management Plan, satisfactory to the Bank, to be prepared by an independent environmental assessment expert and adopted by the Borrower, describing the mitigation, monitoring and institutional measures to be implemented in order to eliminate, offset or reduce any adverse environmental and social aspects in respect of the activities under Part I or Part II of the Project.

10. "Enterprise Resources Planning (ERP) System" means a computerized and integrated information system which includes, in modular form, financial and management accounting, human resources, project management, and legal
services, established for the purpose of enhancing decision making by the Borrower.

11. “Five-year Strategic Program” means the Borrower’s Five-year strategic program, proposed by the Borrower’s management board and adopted by the Guarantor’s government, updated annually, outlining the Borrower’s investment plans and programs over the plan period with indications of the human, financial and organizational resources required for the achievement of the proposed investment plans and programs, and forming the basis for the preparation of the Borrower’s annual program and budget and determining any required review in the Borrower’s revenue and cost streams.


15. “Procurement Plan” means the Borrower’s procurement plan for the Project, as last updated on May 23, 2013, 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.

16. “Project Operational Manual” means the manual referred to in Section I.A.3 of this Agreement, describing procedures for implementation of the Project, consistent with the provisions of this Agreement and, the by-laws of the Borrower and the national laws and regulations of the Guarantor and including, inter alia: (i) procedures governing administrative, procurement, accounting, financial management, including adequate measures for procurement and forensic audits, and monitoring and evaluation arrangements; (ii) targets to be achieved under the Project; (iii) sample formats for required Project reports; and (iv) a financial management manual, as the same may be amended from time to time with the agreement of the Bank.

15. “RAP” means a Resettlement Action Plan, satisfactory to the Bank, to be prepared by an independent environmental assessment expert and adopted by the Borrower, describing the details for land acquisition, resettlement and rehabilitation in respect of the activities under Part I or Part II of the Project, as applicable.

16. “RPF” means the Resettlement Policy Framework satisfactory to the Bank and adopted by the Guarantor on March 5, 2008, and adopted by the Borrower on April 30, 2013, outlining the modalities for land acquisition, resettlement and
rehabilitation in respect of the activities under Part I and Part II of the Project, as well as details for the preparation of the RAPs.

17. "Road Asset Management System" means a digitized inventory of the road network including information on its condition and traffic levels; the equipment to measure roughness and deflections of the road network; data on unit cost of road works and road user costs, and other organizational needs to implement and utilize such system, serving as a tool to assist decision makers on planning, programming, monitoring and economic justification of road investments and maintenance and assessment of the appropriateness of the functional classification of roads.

18. "SEA" means the Sectoral Environmental Assessment for the road sector satisfactory to the Bank and adopted by the Guarantor on March 5, 2008, consisting of, inter alia: (i) an analysis of the environmental assessment institutional capacities of the road sector of the Guarantor, as well as recommendations for improving the environmental assessment process in the road sector; (ii) the EAMF; and (iii) the RPF.

19. "Training" means training activities (other than consultants' services) to be carried out under the Project, as approved by the Bank on the basis of annual training and study tour plans acceptable to the Bank, including the reasonable and necessary local and international travel and visa expenses incurred by participants in training workshops, as well as lodging, subsistence, local and international per diem allowances according to the guidelines of the Guarantor, registration, tuition and facilitators' fees, minor organizational expenses (including costs of stationery, handouts and training materials), translation and interpretation costs, facility rental costs, and other expenditures directly relating to the training workshop and study tour activity, as may be agreed with the Bank.