Loan Agreement

(Road Upgrading and Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

PUBLIC ENTERPRISE FOR STATE ROADS

Dated OCTOBER 6, 2015
LOAN AGREEMENT

Agreement dated , 2015, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and PUBLIC ENTERPRISE FOR STATE ROADS ("Borrower"). 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 eighty three million Euros (€83,000,000), 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 May 15 and November 15 in each year.
2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in 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 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 has enacted new legislation or
issued new directives, so as to affect materially and adversely, in the opinion of the Bank, 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 — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Project Operational Manual has been adopted by the Borrower in a manner satisfactory to the Bank.

5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is its Acting Director.

6.02. The Borrower’s Address is:

Public Enterprise for State Roads  
Dame Gruev 14  
1000 Skopje  
Macedonia

Telephone:  
(389-2) 3118-044

Facsimile:  
389 232 20535

6.03. 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  
Washington, D.C.

Telex:  
248423(MCI) or 64145(MCI)

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

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Naceva Bojancup
Authorized Representative

Name: Bojana Naceva
Title: Acting Country Manager

PUBLIC ENTERPRISE FOR STATE ROADS

By

[Signature]
Authorized Representative

Name: Alexander Stoianov
Title: Acting Director
SCHEDULE 1

Project Description

The objectives of the Project are to improve: (a) transport connectivity for road users along Corridor VIII between Skopje and Deve Bair, and (b) the Borrower’s asset management and planning function.

The Project consists of the following parts:

Part I: Construction of Corridor VIII

Construction of the express road along the east section of the Corridor VIII between Rankovce and Kriva Palanka.

Part II: Establishment of Bridge Management System and Institutional Support

1. Strengthening of the Borrower’s institutional capacity to manage and maintain the Guarantor’s bridge assets through, inter alia, the creation of a bridge management system, including the development of a bridge maintenance and investment plan.

2. Support to the Borrower’s capacity development and Project implementation through, inter alia: (a) the provision of technical assistance to strengthen the technical capacity of PMT; and (b) the carrying out of: (i) independent technical audits of the civil works carried out under Part I of the Project; (ii) a beneficiary satisfaction survey; and (iii) mid-term and impact evaluation surveys.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Borrower shall operate and maintain at all times during Project implementation a Project Management Team (the PMT), with competent staff in adequate numbers, and with qualifications, experience, functions, responsibilities (including responsibilities for the Project's overall management), funds, facilities, services and resources acceptable to the Bank.

2. The Borrower shall: (a) carry out the Project in accordance with the requirements set forth in the Project Operational Manual (POM); and (b) not assign, amend, abrogate, or waive the POM or any of its provisions, except with the prior written approval of the Bank. In case of any conflict between the terms of the POM and those of this Agreement, the terms and conditions of this Agreement shall prevail.

3. The Borrower shall operate and maintain the investments supported under Part I of the Project, with due diligence and efficiency, and in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices, and the applicable provisions of this Agreement.

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 requirements, criteria, organizational arrangements and operational procedures set forth in the RPF, ESIA and ESMP.

2. For the purposes of carrying out Part I of the Project and prior to the commencement of any rehabilitation, improvement, or construction works in respect of any given road section under said Part of the Project, the Borrower shall: (i) prepare, disclose, and furnish to the Bank the pertinent RAP, in accordance with the RPF, if, as a result of the definition of the precise sitting alignment of the works to be carried out under Part 1 of the Project, it is determined by the Bank that Resettlement will be involved; and (ii) immediately thereafter, carry out the pertinent works in accordance with the provisions of said RAP and in a manner acceptable to the Bank, including full payment of Resettlement compensation and the provision of Resettlement assistance to Displaced Persons prior to their displacement.

3. The Borrower shall operate and maintain, at all times during Project implementation, a socially inclusive grievance redress mechanism, satisfactory to the Bank, in such a manner as to enable the implementation of the Project in accordance with the RPF, RAP(s), ESIA and ESMP.
4. The Borrower shall not amend, suspend, waive or abrogate any of the provisions of the RPF, RAPs, ESIA and ESMP without prior approval of the Bank.

5. The Borrower shall, prior to the beginning of any activities involving land acquisition (as part of any Resettlement) under the Project, ensure that a monitoring and evaluation specialist, with qualification and experience, and under terms of reference, acceptable to the Bank, is hired to provide assistance to the Borrower in connection with any land acquisition under the Project.

6. The Borrower shall ensure that the terms of reference for any consultancy in respect of the development of the bridge maintenance and investment plan to be carried out under Part II of the Project shall be satisfactory to the Bank following its review thereof, and, to that end, such terms of reference shall duly incorporate the requirements of the applicable Safeguard Policies, then in force, as applied to the advice conveyed through such technical assistance.

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 acceptable to 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.

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 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 months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. 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, Works and Non-consulting Services**

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, Works and Non-consulting Services.** 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) Shopping; and (b) 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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in EUR)</th>
<th>Percentage of Expenditures to be financed (exclusive of VAT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants’ services, Training and Operating Costs under the Project</td>
<td>82,792,500</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>207,500</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>(3) Interest Rate Cap or Interest Rate Collar premium</td>
<td>0</td>
<td>Amount due pursuant to Section 2.08(c) of this Agreement</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>83,000,000</td>
<td></td>
</tr>
</tbody>
</table>

3. For purposes of this table:

(a) the term “Operating Costs” means the incremental costs, that would not have occurred absent the Project, to finance: (i) operation and maintenance of vehicle, repairs, fuel and spare parts; (ii) equipment and computer maintenance, including hardware and software; (iii) communication costs and shipment costs (whenever these costs are not included in the cost of goods); (iv) office supplies and equipment; (v) rent for office facilities; (vi) utilities; and (vii) travel and per diem costs for the Borrower’s technical staff carrying out supervisory and quality control activities;

(b) the term “Training” means expenditures (other than consultant and non-consultant services) for: (i) reasonable travel, room, board and per diem expenditures incurred by trainers and trainees in connection with their training and by training facilitators; (ii) course fees; (iii) training facility rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses not otherwise covered under this paragraph; and

(c) the term “VAT” means Value-added tax.

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 December 31, 2020.

Section V. Other Undertakings

Financial Covenants

1. (a) Except as the Bank shall otherwise agree, beginning March 31, 2015, 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 occurrence 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 March 31, 2015, the Borrower shall maintain a ratio of current assets to current liabilities of not less than 1 (one).

(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.
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 May 15 and November 15 Beginning November 15, 2023 through May 15, 2043</td>
<td>2.5 %</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

Section I. Definitions


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


4. “Corridor VIII” means the portion of the interstate transit corridor which is 660 km long and runs east-west connecting the Guarantor’s territory to the sea ports in Albania and Bulgaria.

5. “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.

6. “Deve Bair” means a border crossing in the Guarantor’s territory.

7. “Displaced Person” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by Resettlement under the Project.

8. “ESIA” means the Borrower’s Environmental and Social Impact Assessment, dated May 2015, as published in InfoShop on May 26, 2015, in form and substance satisfactory to the Bank, and in line with the Guarantor’s national legislation, consisting of, inter alia, the procedures for the environmental and social screening, management, and mitigating measures, and including, inter alia: (i) a detailed description of the road sections where Project activities are to be carried out; (ii) the potential adverse environmental and social impacts of said activities; (iii) an analysis of the applicable legislation of the Borrower and the Guarantor in mitigating said adverse environmental and social impacts; and (iv) an evaluation of alternatives and design of appropriate mitigation, management, and monitoring measures.

9. “ESMP” means the Borrower’s Environmental and Social Management Plan, acceptable to the Bank, describing environmental and social mitigation, monitoring and institutional measures for any of the activities carried under the Project.

10. “Krina Palanka” means a Municipality in the Guarantor’s territory.

11. “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.
12. "Guarantor" means FYR Macedonia.


14. "Procurement Plan" means the Borrower's procurement plan for the Project, dated June 24, 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.

15. "Project Operational Manual" or "POM" means the Borrower's manual for the Project, acceptable to the Bank and consistent of: (a) a description of the activities and timetable of actions to be carried out under the Project; (b) the respective roles and responsibilities of staff of the PMT; and (c) the fiduciary, technical, operational and safeguard aspects and procedures for implementation of the Project, including: (i) the financial management procedures (budgeting, accounting and internal control, disbursement and flow of funds, financial reporting, annual reports, internal and external audit arrangements procedures and including the Project specific chart of accounts); (ii) the procurement procedures; (iii) the monitoring and evaluation arrangements; (iv) the safeguard requirements and procedures; and (v) all other fiduciary and administrative arrangements and terms of reference necessary for the implementation of the Project, as the same may be amended from time to time with the prior written agreement of the Bank.

16. "Project Management Team" or "PMT" means the Borrower's team referred to in Section I.A.1 of Schedule 2 to this Agreement.

17. "Rankovce" means a Municipality in the Guarantor's territory.

18. "RAP" means any of the Bank's resettlement action plans, acceptable to the Bank, to be prepared and disclosed by the Bank and the Borrower, and containing, inter alia, a program of actions, measures and policies for compensation and assistance of Displaced Persons, including budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with its terms, for each site or road section; "RAPs" means the plural thereof.

19. "Resettlement" means the impact of an involuntary taking of land under the Project, which taking causes affected persons to have their: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently.

20. "Resettlement Policy Framework" or "RPF" means the Borrower's framework dated April 2015, and publicly disclosed on May 11, 2015, in form and substance acceptable to the Bank and in line with the Guarantor's national legislation, outlining general implementation procedures, mitigation measures and monitoring procedures for
Resettlement under the Project, including the procedures for the preparation and implementation of RAPs, when applicable, as said framework may be amended from time to time with the Bank’s prior written approval.


22. “Skopje” means the Guarantor’s capital city.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

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. Section 5.09. (a) is modified to read as follows:

   “(a) The Borrower shall maintain or cause to be maintained a financial management system and prepare financial statements ("Financial Statements") in accordance with consistently applied accounting standards acceptable to the Bank, in a manner adequate to reflect its operations, resources and expenditures, as well as the operations, resources and expenditures related to the Project.”

4. 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.

5. 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).”
6. In the renumbered paragraph 44 (originally paragraph 43) of the Appendix, the definition of “Financial Statements” is modified to read as follows:

“44. “Financial Statements” means the financial statements referred to in Section 5.09.”

7. 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).

8. 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.”

9. 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”.

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