December 24, 2014

H.E. Zoran Stavreski
Deputy Prime Minister and Minister of Finance
Ministry of Finance
Dame Gruev 12
Skopje

Re: EC IPA Grant No. TF018812
Municipal Services Improvement Project

Your Excellency:

In response to the request for financial assistance made on behalf of the former Yugoslav Republic of Macedonia (“Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development (“World Bank”), acting as administrator of grant funds provided by the European Commission (“Donor”) under the EC IPA Rural Investment Single-Donor Trust Fund (TF072325), proposes to extend to the Recipient a grant in an amount not to exceed fourteen million six hundred forty-seven thousand five hundred Euros (€14,647,500) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (“Project”), which will be an additional component of the Municipal Services Improvement Project.

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donor. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date specified by the World Bank in accordance with Section 5.01 of the Annex to this Agreement; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this
Agreement within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

Tatiana Proskuryakova
Country Manager
World Bank Office, Skopje

AGREED:

MINISTRY OF FINANCE

By
Authorized Representative
Name
Title
Date: 24.12.2014

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006;

(3) “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;

(4) “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers”, dated January 2011 and revised in July 2014; and

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions") constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

(a) "Call for Proposals" or "CfP" means the call for proposals specified under Section 2.03 E (a) of this Agreement.


(c) "EC IPA Participating Municipality" means local self-government unit as defined in the Law on Territorial Organization of the Local Self Government of the Recipient (OG 55/04 and its subsequent amendments) and beneficiary, or eligible to benefit, of an Investment Sub-Grant.

(d) "Eligible Activities/Investments" means activities or investments that comply with the criteria specified under Section 2.03 D (1) of this Agreement.

(e) "Environmental Impact Assessment” or “EIA” means the environmental impact assessment that will be prepared by the Recipient for appraised Investment Sub-Projects.

(f) "Environmental Assessment Management Framework” or “EAMF” means the Recipient’s environmental assessment management framework disclosed on September 29, 2014.

(g) "European Commission Instrument for Pre-Accession Project Appraisal Document” or “IPA PAD”) means a project appraisal document that will be prepared by the EC IPA Participating Municipalities in cooperation with the MSIP PMU for an Investment Sub-Project.

(h) "Investment Sub-Grant” means the financing under Part 1 of the Project to Participating Municipalities for rural infrastructure Investment Sub-Projects.

(i) "Investment Sub-Grant Agreement” means the agreements to be signed between the MSIP PMU and the EC IPA Participating Municipalities in accordance to Section 2.03 D of this Agreement.

(j) "Investment Sub-Grant Ceilings” means the investment ceilings specified in Section 2.03 D (5) of this Agreement.

(k) "Investment Sub-Project” means a set of activities or investments to be carried out by an EC IPA Participating Municipality under an Investment Sub-Grant.
2.01. **Project Objectives and Description.** The objective of the Project is to improve transparency, financial sustainability and delivery of targeted municipal services in the Participating Municipalities. The Project consists of the activities set forth in the MSIP Project and the following additional activities which aim to improve the delivery of targeted municipal services in EC IPA Participating Municipalities:

**Part 1: Investment Sub-Grants**

Provision of grants to EC IPA Participating Municipalities.
Part 2: Technical Assistance

Provision of technical assistance in the form of consulting services, including technical assistance, surveys, studies and training to EC IPA Participating Municipalities, for the preparation of technical documentation, relevant analysis and studies for potential subprojects, assistance on procedural and accounting issues, facilitation of workshop on common constraints, lessons learnt and best practices, etc. The technical assistance is to ensure that all EC IPA Participating Municipalities are able to benefit from Investment Sub-Grants.

Part 3: Operational costs

Financing of operational expenditures of the PMU related to the implementation of the Project.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the MSIP PMU within the Ministry of Finance in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) 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 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. Institutional and Other Arrangements

A. Institutional Arrangements

1. The Recipient shall maintain in the MSIP PMU at all times during Project implementation professional staff in adequate numbers and with terms acceptable to the World Bank, to perform all Project related functions including, inter alia, procurement, monitoring and evaluation, financial management and project management.

2. The MSIP PCC will oversee the Project activities along with the activities of the other MSIP components, and will review and approve the list of municipalities and projects selected and not selected to benefit from Investment Sub-Grants. In case of residual funds, the MSIP SC will submit a proposal for the use of residual funds for approval by the World Bank and the Donor. The composition of the PCC will be modified to include (i) two new members to be appointed by the Ministry of Agriculture, Forestry and Water Economy of the Recipient, and satisfactory to the Bank; and (ii) an observer to be seconded by the Bank and the Donor.

3. The Donor will endorse the list of selected and not selected projects before it is approved by the MSIP PCC.

B. Project Operational Manual

1. The Recipient shall update the existing MSIP POM, in a manner satisfactory to the World Bank, as follows:

(a) Adjust the financial and disbursement arrangements of the MSIP to take into account the funds from this Grant.
(b) Update the EAMF to reflect addition of wastewater projects.

(c) List the criteria for the eligibility of Investment Sub-Projects and EC IPA Participating Municipalities, the ceiling amount for each Investment Sub-Grant, implementation procedure of Investment Sub-Grants, as well as a standard form of Investment Sub-Grant Agreements.

(d) Update the performance indicators to include the indicators related to the Project.

(e) Update the existing terms of reference of the MSIP PCC to reflect the new responsibilities to oversee the Project activities.

2. In the event that any provision of the MSIP POM shall conflict with any provision under this Agreement, the terms of this Agreement shall prevail.

3. The MSIP POM may be amended from time to time only with the World Bank’s prior written consent.

C. Safeguards. If any activities included in the Project, pursuant to the LARPF and the EAMF require the carrying out of a LARAP or an EIA, respectively, no such activities shall be implemented unless and until a LARAP or an EIA, respectively, for such activities have been: (A) prepared, in accordance with the LARPF and the EAMF, and furnished to the Bank; (B) disclosed locally as required by the LARPF and the EAMF; and (C) approved by the Bank and publicly disclosed.

D. Investment Sub-Grants

1. The Recipient shall make Sub-Grants to EC IPA Participating Municipalities in accordance with eligibility criteria and procedures acceptable to the Bank, which shall include the following (“Eligible Activities/Investments”):

   (a) The proposed Investment Sub-Projects must contribute to achieve the objective of the Project.

   (b) The proposed Investment Sub-Projects shall be related to water supply, wastewater collection and treatment (village sewage treatment facilities and sewerage systems for people equivalent between 2,000 and 10,000), solid waste management, local roads, market infrastructure, tourism infrastructure, energy supply, renewable energy, energy efficiency projects, village street improvement, recreational areas, house of culture, schools, kinder gardens, parks, street lighting, renovation of municipal building, and more generally, the proposed Investment Sub-Projects shall consist of infrastructure projects that improve the socio-economic and territorial development and/or the protection of the environment in rural areas.

   (c) The proposed Investment Sub-Projects shall be considered a priority for the pertinent EC ICA Participating Municipality pursuant to relevant strategic municipal planning documents and must have been approved by the corresponding municipal council.
2. The Investment Sub-Grants shall mainly target rural municipalities, but urban municipalities with rural settlements shall also be eligible if such urban municipalities consider infrastructure investments in their rural settlements.

3. The Recipient shall not make Sub-Grants to EC IPA Participating Municipalities for Investment Sub-Projects that comply with the following criteria:

(a) The proposed Investment Sub-Projects include activities related to the preparation of urban planning documents.

(b) The proposed Investment Sub-Projects are classified as Category A pursuant to the World Bank Operational Policy 4.01 on Environmental Assessment.

(c) The proposed Investment Sub-Projects are related to irrigation.

4. The municipalities of Cair and Centar shall not be eligible to be an EC IPA Participating Municipality because they do not have rural areas in their territory.

5. The Recipient shall make each Investment Sub-Grant under an Investment Sub-Grant Agreement with the respective EC IPA Participating Municipality on terms and conditions approved by the World Bank, which shall include the following:

(a) The Sub-Grant shall be denominated in Euros.

(b) The Recipient shall obtain rights adequate to protect its interests and those of the World Bank, including the right to:

(i) suspend or terminate the right of the EC IPA Participating Municipality to use the proceeds of the Investment Sub-Grant, or all or any part of the amount of the Investment Sub-Grant then withdrawn, upon the EC IPA Participating Municipality's failure to perform any of its obligations under the Investment Sub-Grant Agreement; and

(ii) require each EC IPA Participating Municipality to:

A. carry out its Investment 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 and the Safeguards Policies applicable to recipients of loan proceeds other than the Recipient;

B. provide, promptly as needed, the resources required for the purpose;

C. procure the goods, works and services to be financed out of the Investment Sub-Grant in accordance with the provisions of this Agreement;

D. maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the
World Bank, the progress of the Investment 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 World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Investment Sub-Project; and

(2) at the World Bank’s or the Recipient’s request, have such financial statements audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank, and promptly furnish the statements as so audited to the Recipient and the World Bank;

F. enable the Recipient and the World Bank to inspect the Investment Sub-Project, its operation and any relevant records and documents; and

G. prepare and furnish to the Recipient and the World Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing.

6. The Recipient shall exercise its rights under each Investment Sub-Grant Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Project. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Investment Sub-Grant Agreement or any of its provisions.

7. Unless otherwise agreed between the Donor and the World Bank, the ceilings for each Investment Sub-Grant (“Investment Sub-Grant Ceilings”) for the first call for proposals are: (i) two-hundred sixty thousand Euros (€260,000) per rural municipality; and (ii) one hundred and twenty thousand Euros (€120,000) per urban municipality. In case a second call for proposals is effected, the Investment Sub-Grant Ceilings may be revised with prior approval from the World Bank and the Donor.

E. Implementation Procedures for Sub-Projects

The Recipient shall implement the following procedure for Sub-Projects:

(a) Phase 1: Call for Proposals

1. Launch a public Call for Proposals (CfP), promptly after the signature of this Agreement. The CfP shall be announced in two national newspapers and published at the official website of the Ministry of Finance. The CfP shall provide at least the following information:

(i) Brief summary of Component E of the MSIP;
(ii) Rules related to the eligibility of EC IPA Participating Municipalities;
(iii) Rules related to the eligible amount per type of municipality;
(iv) Rules related to the types of eligible and ineligible investments;
(v) Types of eligible and ineligible expenditures;
(vi) Types of documents requested for submission; and
(vii) Deadline for application (place and date).

2. Municipalities will have ninety (90) days to submit an application.

3. To respond to the CfP, municipalities should submit: (1) Project Information Fiche (“PIF”); (2) technical documentation; and (3) municipal council decision on project acceptance as a strategic priority.

4. The Project Information Fiche is a questionnaire to be completed by the municipality for the sub-project submitted for further evaluation. The PIF shall comprise at least the following parts:

(i) Sub-project proposal, which will include at least:
   A. Sub-project description and investment costs; and
   B. Documentation prepared so far and technical assistance needs.

(ii) Documents to be submitted by the municipality:
   A. Detailed design, in case of works, or technical specifications, in case of supplies for the proposed sub-project; and
   B. Decision about the priority of the sub-project issued by the pertinent municipal council.

(iii) Additional information:
   A. Budget line for visibility of the Project and visibility of EC IPA funding.

5. The detailed design is technical documentation based on which the construction permit is issued and according to which the future Sub-Project would be implemented.

6. If municipalities apply to the CfP for a sub-project related to wastewater collection and treatment, the provision of detailed design shall not be obligatory. Each municipality shall be able to request in the application technical assistance for the preparation of the detailed design for this type of sub-project.

7. Within the Investment Sub-Grant Ceiling for Sub-Projects, each EC IPA Participating Municipality may apply for financing for a maximum of three sub-projects.

8. Municipalities may apply for financing for a sub-project of higher value than the corresponding Investment Sub-Grant Ceiling but would need to provide options for co-financing.

9. In case a rural municipality does not submit an application to the CfP, the MSIP PMU shall approach the pertinent municipality to find out the reason for not having submitted an application. A report shall present the results of the investigation. In case that for some rural municipalities the reason is lack of prepared detailed design, the PMU MSIP shall provide support to the preparation of detailed design. The sub-projects from these rural municipalities may be funded at a later stage.

(b) Phase 2: Evaluation of Submitted Sub-Projects and Signing of the Investment Sub-Grant Agreement
1. The MSIP PMU shall do a preliminary review of the submitted municipal sub-projects and shall create a list of selected municipalities ("EC IPA Participating Municipalities") and Sub-Projects and non-selected municipalities and sub-projects based on the following criteria:

(i) Municipalities are within the list of eligible municipalities;
(ii) The Sub-Project is within the list of eligible types of Sub-Projects;
(iii) The technical documentation has been submitted; and
(iv) The project is a strategic priority of the municipality and the corresponding council decision has been submitted.

2. No application from rural municipalities shall be rejected by the MSIP PMU for reasons of insufficient quality of design or missing documentation related to technical design. The MSIP PMU shall provide ad hoc technical expertise to improve and complete the design, if necessary.

3. The list shall be approved by the World Bank and the Donor and then submitted to the MSIP SC for its review and approval.

4. After approval of the list, the MSIP PMU shall inform all interested municipalities about the acceptance or rejection of their project(s). Based on the list of eligible municipalities and Sub-Projects, the MSIP PMU shall prepare a procurement plan for Component E and shall submit it to the World Bank for approval.

5. The second activity during this phase is the detailed review by the MSIP PMU of the technical documentation submitted by the municipalities and the provision of comments or the approval of the documentation. During this phase, the municipalities in cooperation with the MSIP PMU would need to complete and improve the quality of the technical documentation according to the comments received, and to finalize other administrative procedures in order to issue a construction permit. If some municipalities require technical assistance for the successful completion of the technical documentation during this phase, the MSIP PMU shall mobilize funds from the technical assistance budget line on behalf of the municipality.

6. The objective is to sign the Investment Sub-Grant Agreements with EC IPA Participating Municipalities within one (1) year of the EC IPA Participating Municipalities receiving comments from the MSIP PMU. If, within this period, the EC IPA Participating Municipality fails to complete the documentation comprising all needed permits, the funds allocated to them shall be cancelled.

7. To obtain approval of the proposed sub-projects, at this stage the EC IPA Participating Municipalities in cooperation with the MSIP PMU shall prepare the IPA PAD. The IPA PAD shall comprise the following parts:

(i) Sub-project description;
(ii) Socio-economic benefit assessment;
(iii) Environmental impact assessment; and
(iv) Technical solution.

8. Only PADs related to wastewater collection and treatment and kindergarten sub-projects proposed to be financed by Investment Sub-Project Grants, due to their potential
social and environmental risks and limited MSIP experience in this field, shall be approved by the World Bank.

9. The World Bank will selectively review PADs as part of its regular project implementation assistance, especially in relation to rural municipalities. PADs shall be shared with the Donor for information.

10. Once PADs are approved, the MSIP PMU shall prepare draft Investment Sub-Grant Agreements between the Recipient and the EC IPA Participating Municipalities, which shall be reviewed by the EC IPA Participating Municipalities and then submitted to the SC for review and approval. The Investment Sub-Grant Agreements shall then be signed.

(c) Phase 3: Procurement under the Sub-Grants to be Carried out by the EC IPA Participating Municipalities

1. Each EC IPA Participating Municipality, in cooperation with the MSIP PMU, shall: (a) conduct the procurement related to the Sub-Project in accordance with the: (i) “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) (“Procurement Guidelines”); and (ii) “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014) (“Consultant Guidelines”); (b) implement the pertinent Sub-Project in accordance with the World Bank “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; (c) sign agreements with the selected contractors; and (d) implement the pertinent Sub-Project.

2. The preparation of the bidding documents shall be based on the technical documents prepared by the pertinent EC IPA Participating Municipality with the support of the MSIP PMU. The MSIP PMU shall provide a final review on the administrative and technical compliance of the documentation originated from the EC IPA Participating Municipalities with regard to national regulations, since construction permits and usage approvals are strongly dependent on the fulfilment of due authorizations and licensing of all participants in the construction process. The MSIP PMU is not a member of the bid evaluation committee nominated by municipalities, but it observes the process and provides guidance so that the Procurement Guidelines and the Consultant Guidelines are observed.

2.04. Donor Visibility and Visit. (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donor to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. Project Monitoring, Reporting and Evaluation. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished
to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date. In order to assist the Recipient in preparing the Completion Report, the Recipient shall employ consultants whose qualifications, experience and terms of reference are acceptable to the World Bank.

2.06. **Financial Management.**

(a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.07. **Procurement**

(a) **General.** All goods, works, and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:


(ii) Sections I and IV of 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) (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World 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.

(c) **Particular Methods of Procurement of Goods and Works**
(i) Except as otherwise provided in sub-paragraph (ii) below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and works for those contracts which are specified in the Procurement Plan: (A) National Competitive Bidding, subject to the additional provisions contained in sub-paragraph (iii) below; (B) Shopping; and (C) Direct Contracting.

(iii) Additional Provisions for National Competitive Bidding. In order to ensure economy, efficiency, transparency and broad consistency with the provisions of Section I of the 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 World Bank and is subject to the following conditions:
   (1) the contracting authority shall invite all the candidates that meet the selection criteria; and
   (2) no maximum number of selected candidates shall apply.

(B) Registration
   (1) Bidding shall not be restricted to pre-registered firms.
   (2) Where registration is required, bidders (a) shall be allowed a reasonable time to complete the registration process, and (b) 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.
   (3) Foreign bidders not from the territory of the Recipient 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
   (1) 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.
   (2) 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
   (1) 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.
   (2) 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.
   (3) Minimum experience, and technical and financial requirements, shall be explicitly stated in the pre-qualification documents.
Participation of publicly-owned enterprises. Publicly-owned enterprises shall be eligible to participate in bidding only if they can establish 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.

Bidding Documents. Procuring entities shall use the appropriate standard bidding documents acceptable to the World Bank for procurement of goods and works.

Bid Opening, Bid Evaluation and Contract Award
(1) 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;
(2) 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.
(3) 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.
(4) 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.
(5) Bids not substantially responsive shall be rejected.
(6) Extensions of bid validity will be allowed once only for not more than thirty (30) days. No further extensions shall be requested without the prior approval of the Bank;
(7) Contracts shall be awarded to the qualified bidder having submitted the lowest-evaluated and substantially responsive bid. No negotiation shall take place.

Rejection of all bids. All bids shall not be rejected and a new procurement process starts without the World Bank's prior concurrence.

Price Adjustment. Civil works contracts of long duration (more than 18 months) shall contain an appropriate price adjustment clause.

Securities
(1) Bid security and performance security should follow the generally accepted practice used in the local market.
(2) Alternative methods such as bid securing declaration may be acceptable, in which case the Borrower 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.
(3) 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 World Bank.

(K) Right to inspect and audit. Each contract financed from the proceeds of the Grant shall provide that the suppliers, contractors and subcontractors shall permit the World 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 World Bank. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.

(L) Fraud & Corruption. The World Bank shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the World 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 competing for, or in executing, a contract financed by the World Bank Group.

(d) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Selection under a Fixed Budget; (B) Least Cost Selection; (C) Selection based on Consultants’ Qualifications; (D) Procedures for competitive selection of Individual Consultants; (E) Single-source procedures for the selection of Individual Consultants; and (F) Single-source Selection of consulting firms.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant 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 Grant Allocated (expressed in EUR)</th>
<th>Percentage of Expenditures to be Financed (exclusive of Taxes)</th>
</tr>
</thead>
</table>

15
For the purposes of this paragraph, the term:

(i) “Training” means the reasonable costs, as shall have been approved by the World Bank, for training conducted under the Project, including tuition, travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course and workshop preparation and implementation (but excluding goods and consultants’ services); and

(ii) “Operating Costs” means the reasonable costs, as shall have been approved by the World Bank, for the incremental expenses incurred on account of Project implementation, consisting of vehicle operation and maintenance, communication and insurance costs, banking charges, rental expenses, office (and office equipment) maintenance, utilities, document duplication/printing, consumables, travel cost and per diem for Project staff for travel linked to the implementation of the Project, and salaries of contractual staff for the Project (but excluding consultants’ services and salaries of officials of the Recipient’s civil service).

3.02. Withdrawal Conditions. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made:

(a) for payments made prior to the date of countersignature of this Agreement by the Recipient; or

(b) for any payment for Taxes levied by or in the territory of the Recipient; or

(c) until an additional full-time financial management assistant has been hired for the MSIP PMU; or

(d) until the MSIP accounting software has been updated to (i) take into account the financial information for the funds from this Grant, and (ii) to generate consolidated quarterly interim unaudited financial reports for the Project.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is March 31, 2019.

Article IV
Additional Remedies

4.01. Additional Event of Suspension. The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following, namely that the Recipient has failed to perform any of its respective obligations under this Agreement.
5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied:

(a) The execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental action; and

(b) The MSIP POM has been updated to include financial and disbursement arrangements that reflect the funds from this Grant.
Article VI
Recipient’s Representative; Addresses

6.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Deputy Prime Minister and Minister of Finance.

6.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
12 Dame Gruev St.
Skopje

Facsimile:
+389 23255721

6.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INTBAFRAD
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391