Mr. Dejan Boskovski  
General Director  
AD MEPSO  
ul. Orce Nikolov b.b.  
Skopje 1000  

cc:  
H.E. Zoran Stavreski  
Vice Prime Minister and Minister of Finance  
Ministry of Finance

Energy Community of South East Europe Program-  
FYR Macedonia Component-AD MEPSO Project (Loan No. 4814-MK)  
Amendment of the Loan Agreement

Dear Mr. Boskovski,

We refer to the above-referenced Loan Agreement (Agreement) between Operator Na Elektroprenosniot Sistem Na Makedonija, Akcionersko Drustvo Za Prenos Na Elektricna Energija I Upravuvanje So Elektroenergetski Sistem Vo Drzavna Sopstvenost- AD MEPSO Skopje (The Borrower) and the International Bank for Reconstruction and Development (Bank), dated April 19, 2006, and to our correspondences regarding amendments to the Agreement. The Bank accordingly proposes to amend the Agreement as follows:

Definitions

1. Section 1.02 (a) of Article I of the Agreement shall be amended to read as follows:

“AD MEPSO” means Operator Na Elektroprenosniot Sistem Na Makedonija, Akcionersko Drustvo Za Prenos Na Elektricna Energija I Upravuvanje So Elektroenergetski Sistem Vo Drzavna Sopstvenost- AD MEPSO Skopje, a joint stock company established and operating pursuant to Resolution No. 23-3343/1 of the Government of the Guarantor, dated September 27, 2004, whose Charter and By-laws were published in the Official Gazette of the Guarantor, dated December 27, 2004, under Number 92/2004 and amended and re-published in the Official Gazette of the Guarantor, dated February 12, 2008, under Number 21/08, and which was registered on December 31, 2004 in the Trade Register of Basic Court Skopje I under the number 02060952/-4-09-000 pursuant to Registration Resolution No. 558/2004 issued by the Registration Court.”
2. Section 1.02 (b) of Article I of the Agreement shall be amended to read as follows:

“(b) ‘EMPs’ means, collectively, the Environmental Management Plans prepared by the Borrower and satisfactory to the Bank, dated August 2005, in respect of the expansion of the Skopje 5 substation, dated September 2005, in respect of the construction of the 400 kV interconnection transmission line between the Guarantor and the Hellenic Republic, dated December 31, 2010 in respect of the construction of each of the Bitola and Skopje-Tetovo overhead transmission lines, and dated December 31, 2010 in respect of the construction of the 400 kV interconnection transmission line between the Guarantor and the Republic of Serbia as well as the environmental management plans to be prepared by the Borrower in consultation with the Guarantor and pursuant to the EAFD, satisfactory to the Bank, in connection with the Borrower’s additional investments in power lines and substations financed under the Project, in each case setting forth the measures to be taken during the implementation and operation of the investments to avoid or reduce adverse environmental impacts, and the actions needed to implement these measures.”

3. Section 1.02 (c) of Article I of the Agreement shall be amended to read as follows:

“(c) ‘EAFD’ means the Environmental Assessment Framework Document, dated February 16, 2011, prepared by the Borrower and approved by the Bank describing the environmental issues, mitigation, monitoring and institutional measures for the Project, as the same may be amended from time to time with the prior agreement of the Bank.”

4. Section 1.02 (e) of Article I of the Agreement shall be deleted in its entirety and replaced to read as follows:

“(e) ‘LAP’ means a site-specific land acquisition plan required to be prepared pursuant to Section B.2 of Schedule 5 in accordance with the requirements of the LAPF for each of the Borrower’s investments financed under the Project, satisfactory to the Bank, in each case setting forth the measures to be taken during the implementation and operation of the investments to avoid or reduce adverse social impacts, and the actions needed to implement these measures”.

5. Section 1.02 (f) of Article I of the Agreement shall be amended to read as follows:

“(f) ‘LAPF’ means the Land Acquisition Policy Framework, dated August 2005 and updated in February 16, 2011, prepared by the Borrower and approved by the Bank describing the principles and procedures for the acquisition of land required for investments under the Project, as the same may be amended from time to time with the prior agreement of the Bank.”
6. A new Section 1.02(k) shall be added to Article I of the Agreement to read as follows:

“(k) “Project Operations Manual” means the operations manual to be adopted by the Borrower, and referred to in Section A.1 of Schedule 5 to this Agreement, satisfactory to the Bank, describing and setting forth procedures for implementation of the Project and institutional arrangements, consistent with the provisions of this Agreement and with applicable laws and regulations and including, among other things, the fiduciary, technical and operational aspects and procedures for implementation of the Project, including 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), procurement procedures, monitoring and evaluation arrangements, other fiduciary and administrative arrangements.”

Closing Date

7. Section 2.03 of the Agreement shall be amended to read as follows:

“Section 2.03. The Closing Date shall be March 31, 2014, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor of such later date.”

Financial Covenants

8. Sections 4.03 and 4.05 of the Agreement shall be deleted in their entirety.

Project Objective

9. The objective of the Project set forth in the first paragraph of Schedule 2 to the Agreement shall be amended to read as follows:

“The objective of the Project is to support the functioning of AD MEPSO in the context of the regional power market through financing investments necessary to rehabilitate and upgrade the power transmission network, increase the level of interconnection with neighboring power systems, and to strengthen the institutional capacity of AD MEPSO.”

Project Description

10. Part B of Schedule 2 to the Agreement shall be amended to read as follows:

“Part B: Rehabilitation and Construction of Overhead Lines

1. Replacement of an existing 110kV transmission line from the Skopje 1 substation to the Tetovo 1 substation to reduce outages and to reduce risks to the general public.
2. Construction of new lines to reduce losses, improve system security, and increase the level of interconnection with neighboring systems, from:

(a) the Bitola 3 substation to the Bitola 4 substation; and
(b) the Bitola 2 substation to the border with the Hellenic Republic.”

Procurement

11. Schedule 4 (Procurement) to the Agreement shall be replaced in its entirety to read as set forth in the Annex to this amendment letter.

Implementation Program

12. Section A.1 of Schedule 5 to the Agreement shall be amended to read as follows:

“1. Except as the Bank shall otherwise agree, the Borrower shall be responsible for the implementation of the Project, in a timely and effective manner, and shall carry out the Project, through its PIU, in accordance with the Project Operations Manual.”

13. Sections A.3, A.4 and A.5 of Schedule 5 to the Agreement shall be deleted in their entirety.

14. Section B of Schedule 5 to the Agreement shall be amended to read as follows:

“B. Actions by the Borrower

Except as the Bank shall otherwise agree, the Borrower shall:

1. provide the Bank for its prior review and no objection, on a timely basis and in any event prior to the commencement of construction or implementation, with a draft of the EMP prepared in accordance with the requirements of the EAFD for each of the Borrower’s proposed investments financed under the Project;

2. provide the Bank for its prior review and no objection, on a timely basis and in any event prior to the commencement of construction or implementation, with a draft of the LAP prepared in accordance with the requirements of the LAFP, for each of the Borrower’s proposed investments financed under the Project; and

3. (a) implement the EAFD, the EMPs, and the LAFP and LAPs in accordance with their respective terms, and apply and implement, as the case may be, the criteria, policies, procedures and arrangements therein respectively set forth; and (b) not amend or waive, or permit to be amended or waived the EAFP, the EMPs, or the LAFP or the LAPs, or any provision of any one thereof without the prior agreement of the Bank.”
Defined terms used in this letter and not defined herein shall have the meanings given to them in the Loan Agreement.

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

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

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

/s/ Evgenij Najdov,
Acting Country Manager
Authorized Representative

CONFIRMED AND AGREED:

OPERATOR NA ELEKTROPRENOSNIOT SISTEM NA MAKEDONIJA, AKCIONERSKO DRUSTVO ZA PRENOS NA ELEKTRICNA ENERGIJA I UPRAVUVANJE SO ELEKTROENERGETSKIOT SISTEM VO DRZAVNA SOPSTVENOST- AD MEPSO SKOPJE

By: /s/ Dejan Boskovski
Authorized Representative

Name: Dejan Boskovski

Title: General Director

Date: April 11, 2011
ANNEX

SCHEDULE 4

Procurement

Definitions

For the purposes of this Schedule 4:


3. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated February 25, 2011 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.

A. General

1. Goods. All goods 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

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for
goods. 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) Shopping</td>
</tr>
<tr>
<td>(b) Direct Contracting</td>
</tr>
</tbody>
</table>

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 Based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(b) 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.