Re: EU Grant No. TF0A3682
(Enhancing the Implementation of Public Procurement Project)
Letter Agreement

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/International Development Association (“World Bank”), acting as administrator of grant funds provided by the European Commission on behalf of the European Union (“EU”) (“Donor” or ‘EU”) under the Strengthening Accountability and the Fiduciary Environment (SAFE Program) (EU Single-Donor Trust Fund (No. TF072559), proposes to extend to the Recipient, a grant in an amount not to exceed two hundred and fifty-three thousand nine hundred Euro (EUR 253,900) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex 1 and Appendix, to assist in the financing of the project described in Annex 1 (“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 Annex 1 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this Agreement, and returning it to the World Bank; provided however, that the offer of this Agreement shall be deemed withdrawn if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 DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

By: Ellen Goldstein
Country Director, Southeast Europe
Europe and Central Asia Region

AGREED:

RECIPIENT

By Authorized Representative

Name Kiril Minovski
Title MINISTER OF FINANCE
Date: 30.12.2016

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
(3) World Bank Procurement Regulations for Borrowers under Investment Project Financing, dated July 1, 2016
(4) 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 and as of July 1, 2016
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”), with the modifications set forth in the Appendix to this Agreement, 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. For the purposes of this Agreement the following terms have the meaning given to them as follows:

   (a) “Electronic System for Public Procurement” or “ESPP” means the Recipient’s e-procurement system.

   (b) “Operating Costs” means the reasonable incremental expenses incurred by the Recipient on account of Project implementation, management and monitoring, including dissemination of Project related information and publications, local travel costs (including *per diem* and accommodation), communication, translation and interpretation, bank charges, and other miscellaneous costs directly associated with the Project, all based on periodic budgets acceptable to the Bank.

   (c) “Public Procurement Bureau” or “PBB” means the Recipient’s Public Procurement Bureau established within the Recipient’s Ministry of Finance.

   (d) “Training” means the reasonable costs, as shall have been approved by the World Bank, for training and workshops (including study tours) conducted under the Project, including tuition, travel and subsistence costs for training, workshop and study tours 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, workshop and study tour preparation and implementation (but excluding goods and consulting services).

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to enhance the performance and transparency of the Recipient’s public procurement by improving the existing e-procurement system functionalities, developing performance indicators for monitoring the performance of the public procurement system; and building capacity of the Public Procurement Bureau (PPB). The Project consists of the following parts:

   **Part A. Performance Indicators**

   The provision of support for the development of e-performance indicators and governance red flags.
Part B. E-procurement, Security and Software Updates

(a) The design and implementation of new functionalities in the Recipient’s Electronic System for Public Procurement (ESPP), including: (i) publication of procurement notices of donors; (ii) pre-view of tender documents for economic operators without subscribing to the ESPP; and (iii) e-payment for the registration of economic operators and contract authorities’ subscriptions;

(b) the carrying out of an analysis for the harmonization of e-procurement with e-archive and e-appeal; and

(c) if applicable, based on the analysis referred to in (b) above, the design and implementation of other innovative tools and functionalities in the Recipient’s ESPP.

Part C. Capacity Building

Provision of support to PPB for Project’s implementation, monitoring and evaluation, including: (a) the carrying out of capacity building activities on the use of the performance indicators, governance red flags and the new functionalities of the e-procurement system; and (b) knowledge exchange activities with other relevant countries.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient, through PBB, shall carry out the Project in accordance with the provisions of: (i) Article II of the Standard Conditions; (ii) 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 and as of July 1, 2016 (“Anti-Corruption Guidelines”); and (iii) this Article II.

For this purpose, the Recipient shall maintain within PPB, throughout Project implementation, a dedicated team composed of qualified staff in sufficient number, and with functions and responsibilities (including the responsibility to manage, coordinate, monitor and evaluate the implementation of the Project) satisfactory to the World Bank.

2.03. Donor Visibility and Visit

(a) The Recipient shall take or cause to be taken all such measures as the World Bank shall reasonably request, on the basis of the visibility made available by the World Bank to the Recipient, 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, enable the representatives of the Donor to visit any part of the Recipient’s territory for purposes related to the Project.

2.04. Documents; Records. In addition and without limitation to the obligations set forth in Section 2.05 of the Standard Conditions, the Recipient shall ensure that:

(a) all records evidencing expenditures under the Project are retained for seven years and six months after the Closing Date, such records to include: (i) this Agreement, all addenda thereof, and any amendments thereto; (ii) the Recipient’s financial and narrative progress reports submitted to the
World Bank; (iii) the Recipient’s financial information related to the Grant, including audit reports, invoices and payroll records; (iv) the Recipient’s implementation documentation (including sub-agreements, procurement files, contracts, purchase orders); and (v) the corresponding supporting evidence referred to in Section 3.04 of the Standard Conditions; and

(b) the representatives of the World Bank are: (i) able to examine all records referred to above in paragraph (a); (ii) provided all such information concerning such records as they may from time to time reasonably request; and (iii) able to disclose such records and information to the Donor.

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 and referred to in Annex 2 to this Agreement. 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.

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 as part of the Project Report not later than forty five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall, upon the World Bank’s request, have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the period indicated in the World Bank’s request. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the date of the World Bank’s request.

2.07. Procurement

(a) All goods, non-consulting services and consulting 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 the “World Bank Procurement Regulations for Borrowers under Investment Project Financing” dated July 1, 2016 (“Procurement Regulations”), and the provisions of the Recipient’s procurement plan for the Project (“Procurement Plan”) dated November 15, 2016 provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.
(b) Procurement Documents. Procurement Documents shall require the Bidder, Proposer or Consultant to provide the Recipient with digital copies of its Bid or Proposal (as the case may be, and as all such terms are defined in the Procurement Regulations).

(c) Right to use Project outputs. To the extent the Recipient has the intellectual property rights to Project outputs and subject to any third party proprietary or confidential obligation it may have, the Recipient shall grant the Donor the right to use such outputs for purposes limited to the development, implementation and monitoring of EU programs, including distribution to the public, translation, storage and archive.

**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: (i) the Standard Conditions; (ii) this Section; and (iii) 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 (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, consulting services, Training and Operating Costs under the Project</td>
<td>253,900</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td><strong>253,900</strong></td>
<td></td>
</tr>
</tbody>
</table>

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of this Agreement.

3.03. **Withdrawal Period.** The Closing Date (“Closing Date”) referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2017.

**Article IV**
Recipient’s Representative; Addresses

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance.
4.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

H.E. Kiril Minoski  
Minister of Finance  
Ministry of Finance  
Dame Gruev 12  
1000 Skopje

4.03. **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  
International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Telex: 248423 (MCI) or 64145 (MCI)  
Facsimile: 1-202-477-6391
The following indicators may be amended from time to time by mutual agreement of the World Bank and the Recipient expressed through an exchange of letters.

**Project Development Objective (PDO):** The Project Development Objective (PDO) of the Enhancing the Implementation of Public Procurement in FYR Macedonia (EIPP) is to support the Government to enhance the performance and transparency of public procurement in FYR Macedonia by improving the existing e-procurement system functionalities, developing performance indicators for monitoring the performance of the public procurement system and building capacity of the Public Procurement Bureau (PPB).

### ANNEX 2

<table>
<thead>
<tr>
<th>PDO Level Results Indicators*</th>
<th>Core</th>
<th>Unit of Measure</th>
<th>Baseline</th>
<th>Cumulative Target Values**</th>
<th>Frequency</th>
<th>Data Source/Methodology</th>
<th>Responsibility for Data Collection</th>
<th>Description (indicator definition etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indicator One:</strong> Set of public performance indicators and governance red flags created</td>
<td>Yes/No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Quarterly</td>
<td>Consultant Report</td>
<td>PPB</td>
<td>Measures whether the final product for Component 1 has been delivered</td>
</tr>
<tr>
<td><strong>Indicator Two:</strong> Additional e-procurement functionalities created</td>
<td>Yes/No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Quarterly</td>
<td>Consultant Report</td>
<td>PPB</td>
<td>Measures whether the final product for Component 2 has been delivered</td>
</tr>
<tr>
<td><strong>Indicator Three:</strong> Capacity-building of staff on various procurement areas implemented</td>
<td>Yes/No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Quarterly</td>
<td>Consultant Report</td>
<td>PPB</td>
<td>Measures whether the final product for Component 3 has been delivered</td>
</tr>
</tbody>
</table>

**INTERMEDIATE RESULTS**

**Intermediate Result (Component One): Improvement of Performance of Public Procurement**

**Intermediate Result indicator One:** Number of procurement areas to be covered by the indicators

<table>
<thead>
<tr>
<th>Number</th>
<th>0</th>
<th>5</th>
<th>10</th>
<th>Semi-annually</th>
<th>Consultant Report</th>
<th>PPB</th>
</tr>
</thead>
</table>

**Intermediate Result indicator Two:** Number of indicators including qualitative and quantitative data measuring

<table>
<thead>
<tr>
<th>Number</th>
<th>0</th>
<th>10</th>
<th>25</th>
<th>Semi-annually</th>
<th>Consultant Report</th>
<th>PPB</th>
</tr>
</thead>
</table>

**Intermediate Result indicator Three:** Pilot test of the performance indicators to be conducted on one or two projects.

<table>
<thead>
<tr>
<th>Yes/No</th>
<th>No</th>
<th>No</th>
<th>Yes</th>
<th>Semi-annually</th>
<th>Consultant Report</th>
<th>PPB</th>
</tr>
</thead>
</table>

**Intermediate Result (Component Two): Improvement of the e-Procurement portal**

**Intermediate Result indicator One:** Number of new functionalities

<table>
<thead>
<tr>
<th>Number</th>
<th>0</th>
<th>0</th>
<th>2</th>
<th>Semi-annually</th>
<th>Consultant Report</th>
<th>PPB</th>
</tr>
</thead>
</table>

**Intermediate Result indicator Two:** Number of notices published to the e-procurement portal by the IFIs.

<table>
<thead>
<tr>
<th>Number</th>
<th>0</th>
<th>0</th>
<th>10</th>
<th>Semi-annually</th>
<th>Consultant Report</th>
<th>PPB</th>
</tr>
</thead>
</table>

**Intermediate Result (Component Three): Strengthening of the capacity of PPB's staff**

**Intermediate Result indicator One:** Number of trainings provided

<table>
<thead>
<tr>
<th>Number</th>
<th>0</th>
<th>3</th>
<th>10</th>
<th>Semi-annually</th>
<th>Consultant Report</th>
<th>PPB</th>
</tr>
</thead>
</table>

**Intermediate Result indicator Two:** Number of training topics

<table>
<thead>
<tr>
<th>Number</th>
<th>0</th>
<th>3</th>
<th>10</th>
<th>Semi-annually</th>
<th>Consultant Report</th>
<th>PPB</th>
</tr>
</thead>
</table>
APPENDIX
Modifications to the Standard Conditions

The Standard Conditions are hereby modified as follows:

1. (a) Paragraph (c) of Section 3.06. (Eligible Expenditures) is modified to read as follows:

   "The Recipient shall ensure that the proceeds of the Grant are used exclusively to finance expenditures which, except as otherwise provided in the Grant Agreement, satisfy the following requirements ("Eligible Expenditures"):

   (a) the payment is for the reasonable cost of goods, works or services required for the Project, to be financed out of the proceeds of the Grant and procured, all in accordance with the provisions of the Grant Agreement;

   (b) the payment is not prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

   (c) the expenditures are incurred, and the payments are made: (i) during the dates specified in the Grant Agreement for that purpose; and (ii) except as the World Bank may otherwise agree, the expenditures are incurred prior to the Closing Date."