

Public Disclosure Authorized

OFFICIAL DOCUMENTS

LOAN NUMBER IBRD 8929-MK

Loan Agreement

(Western Balkans Trade and Transport Facilitation Project Using the Multiphase
Programmatic Approach)

between

Public Disclosure Authorized

THE REPUBLIC OF NORTH MACEDONIA
(the Borrower)

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**
(the Bank)

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between the Borrower and the Bank. The Borrower and the Bank hereby agree as follows:

WHEREAS:

(A) The governments of the Borrower, Republic of Albania and Republic of Serbia (collectively, the “Participating Beneficiaries”) have signed a series of agreements and memoranda of understanding, with the broad objective of creating the conditions for regional trade and transport facilitation;

(B) under the first phase of a Multiphase Programmatic Approach (MPA), the Bank intends to support the regional Western Balkans Trade and Transport Facilitation Project in the Borrower (“Project”), as described in Schedule 1 hereto;

(C) by separate financing agreements to be entered into between Republic of Albania and Republic of Serbia, respectively, with the Bank (“Albania Financing Agreement”, and “Serbia Financing Agreement”, as further defined in the Appendix to this Agreement), the Bank will extend them financing to cover the cost of activities related to their respective parts of the Project; and

(D) under the second phase of the MPA, the Bank intends to support regional trade and facilitation activities under the program with other participating beneficiaries in the Western Balkans.

ARTICLE I—GENERAL CONDITIONS; DEFINITIONS

- 1.1. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.2. 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

- 2.1. The Bank agrees to lend to the Borrower the amount of twenty-six million two hundred thousand Euro (€26,200,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.2. The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 to this Agreement.
- 2.3. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.4. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.



- 2.5. The interest rate is the Reference Rate plus the Fixed Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.6. The Payment Dates are May 1 and November 1 in each year.
- 2.7. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

ARTICLE III—PROJECT

- 3.1. The Borrower declares its commitment to the objectives of the Project and the MPA Program. To this end, the Borrower shall carry out the Project through MoTC in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV—REMEDIES OF THE BANK

- 4.1. The Additional Event of Suspension consists of the following, namely that as a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation has arisen which makes it improbable that the MPA can be carried out.

ARTICLE V—EFFECTIVENESS; TERMINATION

- 5.1. The Additional Conditions of Effectiveness consist of the following, namely that the Borrower, through the MoTC, has established a Project Implementation Unit (PIU) under terms, conditions, composition, functions, and resources satisfactory to the Bank.
- 5.2. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

ARTICLE VI— REPRESENTATIVE; ADDRESSES

- 6.1. The Borrower's Representative is the Borrower's Minister of Finance.
- 6.2. For purposes of Section 10.01 of the General Conditions: (a) the Borrower's address is:

Ministry of Finance
Dame Gruev 12
1000 Skopje and

(b) the Borrower's Electronic Address is:

| | |
|-----------------|------------------------|
| Facsimile: | E-mail: |
| +389 2 3255-721 | finance@finance.gov.mk |

6.3. For purposes of Section 10.01 of the General Conditions: (a) the Bank's address is:

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

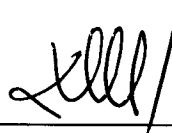
(b) the Bank's Electronic Address is:

Facsimile: 1-202-477-6391 E-mail: mmantovanelli@worldbank.org

AGREED as of the Signature Date.

BORROWER

By



Authorized Representative

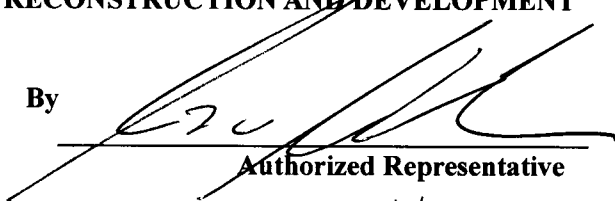
Name: DRAGAN TEVDovski, PhD

Title: MINISTER OF FINANCE

Date: JUNE 6, 2019

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

Name: MARCO MANTOVANELLI

Title: COUNTRY MANAGER

Date: JUNE 6, 2019



SCHEDULE 1

Project Description

The objective of the Project is to reduce trade costs and increase transport efficiency in the Borrower. The Project constitutes the first phase of the MPA Program, and consists of the following parts:

Part 1: Facilitating movement of goods across the Western Balkans

1. Provision of support to design, develop and implement a National Single Window solution and the associated reform and modernization of customs and other border management agency requirement to improve inter agency coordination and reduce the time taken to clear goods.
2. Provision of support to improve physical capacity and working conditions at the key border crossings of Kjafasan, as well as Deve Bair by, among other improvements aiming at facilitating the flow of goods across the borders: (a) carrying out refurbishments and upgrades to existing facilities (including but not limited to buildings, information system exchange between border facilities, customs facilities, exit and entry lanes, and expansion of parking facilities); (b) installation of weigh bridges for trucks and weigh scale for border crossing points; (c) establishing a single operational one-stop shop when technically possible; (d) facilitating the preparation of bilateral agreements to facilitate inspection at the borders and trade from one country to another, the procedures at the border crossing, if necessary; and (e) the updating of the electronic and system infrastructure for freight clearance.

Part 2: Enhancing transport efficiency and predictability

1. Provision of support to develop intelligent transport system (ITS) on part of Corridor X through the purchase and installation of the following equipment such as: (a) a system for collecting data on traffic flow from inductive loops that are positioned into the carriageway; (b) Weight In Motion (WIM); (c) elements to control the height of vehicles that access highway; (d) a system to collect data on weather conditions along the route of the highway; and (e) a system to detect the transport of dangerous goods.
2. Provision of technical assistance to support the preparation of ITS legislation in line with the pertinent European Union (EU) Directives.

Part 3: Enhancing Market Access for Trade and Investments

1. Provision of support through technical assistance for the implementation of regulatory and institutional reforms to align with the Borrower's specific commitments under: (a) Central European Free Trade Agreement (CEFTA) Additional Protocols 5 and 6; and (b) the Multi-annual Action Plan on a Regional Economic Area in the Western Balkans.



Part 4: Project implementation Support

1. Provision of support to the Project Implementation Unit (PIU) including procurement, financial management, monitoring, and evaluation, audits, safeguards and technical oversight, and policy coordination.
2. Provisions of support to carry out public and multi-stakeholder consultations and surveys (including women traders); grievance redress mechanism; corridor performance tool; and user satisfaction surveys.

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SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. Without limitation to the provisions of Article V of the General Conditions, and except as the Bank shall otherwise agree, the Borrower shall, through MoTC, maintain at all times during the implementation of the Project, a PIU within MoTC with composition, resources, terms of reference and functions acceptable to the Bank. The PIU shall be responsible for the procurement, financial management, disbursement, monitoring and evaluation and safeguards compliance under the Project. .

2. The Borrower, through MoTC, shall by not later than 2 months following Effectiveness Date identify the focal points in the authorities engaged in the implementation of the Project in line with the POM.

B. Project Operations Manual.

1. The Borrower, through MoTC, shall by not later than two (2) months after the Effective Date of the Loan Agreement, adopt the Project Operations Manual ("POM") and thereafter implement the Project in accordance with the POM, in form and substance satisfactory to the Bank, that sets out the operational and administrative procedures and requirements for Project implementation.

2. The POM may not be assigned, amended, abrogated or waived, or permitted to be assigned, amended, abrogated or waived, or any provision thereof, in a manner which, in the opinion of the Bank, may materially and adversely affect the implementation of the Project. The POM may only be amended in consultation with, and after approval of, the Bank. In case of any conflict between the terms of the POM and those of this Agreement, the terms of this Agreement shall prevail.

C. Annual Work Plan and Budget.

The Borrower, through MoTC, shall:

- (a) prepare and furnish to the Bank not later than December 15 of each year during the implementation of the Project, a proposed Annual Work Plan and Budget containing:
 - (i) all activities to be carried out under the Project during the following calendar year;
 - (ii) a proposed financing plan for expenditures required for such activities, setting forth the proposed amounts and sources of financing; and
 - (iii) any training activities that may be required under the Project including: (A) the type of training; (B) the purpose of the training; and (C) the cost of the training;
- (b) provide the Bank a reasonable opportunity to exchange views with the Borrower on each such proposed Annual Work Plan and Budget, and shall thereafter ensure that the Project is implemented with due diligence during said following year, in accordance with such Annual Work Plan and Budget as shall have been approved by the Bank; and

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- (c) not make or allow to be made any change to the approved Annual Work Plan and Budget without the Bank's prior written approval.

D. Safeguards.

1. The Borrower, through MoTC, shall ensure that the Project is carried out with due regard to appropriate health, safety, social, and environmental standards and practices, and in accordance with the Safeguards Instruments.
2. The Borrower, through MoTC, shall ensure that the obligation to comply with the relevant Safeguard Instruments is incorporated: (a) in the contracts between the Borrower and the relevant contractors and any entity (including any engineer) supervising the Project's civil works; and (b) in the contracts between the relevant contractors and the contractors' subcontractors.
3. The Borrower, through MoTC, shall ensure that all the bidding documents and contracts include the obligation of the relevant contractors and subcontractors to adopt and enforce codes of conduct that should be provided to and signed by all workers; as applicable to such civil works commissioned or carried out pursuant to said contracts.
4. Except as the Bank shall otherwise agree, the Borrower, through MoTC, shall ensure, and cause to ensure, that none of the provisions of the Safeguard Instruments is abrogated, amended, repealed, suspended or waived. In case of any inconsistencies between the provisions of any of the Safeguard Instruments and the provisions of this Agreement, the provisions of this Agreement shall prevail.
5. The Borrower, through MoTC, shall maintain, throughout Project implementation, and publicize the availability of a grievance redress mechanism, in form and substance satisfactory to the Bank, to hear and determine fairly and in good faith all complaints raised in relation to the Project and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Bank.

Section II. Project Monitoring Reporting and Evaluation

1. (a) The Borrower, through MoTC, shall furnish to the Bank each Project Report not later than forty-five days after the end of each calendar semester, covering the calendar semester.

(b) The Borrower, through MoTC, shall prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about September 30, 2022, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date.

(c) Review with the Bank, by November 30, 2022, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the

achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

2. Without limitation upon its other reporting obligations under this Agreement, the Borrower, through the MoTC, shall:
 - (a) take all measures necessary on its part to regularly collect, compile, and submit to the Bank, as part of the Project Reports, and promptly in a separate report whenever the Bank may require, information on the status of compliance with the Safeguards Instruments. Such information shall include: (i) measures taken in furtherance of the Safeguards Instruments; (ii) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments; and (iii) remedial measures taken or required to be taken to address such conditions;
 - (b) promptly furnish to the Bank a copy of each progress report prepared and submitted by any entity (including any engineer) supervising the Project's civil works, the Project's contractors and/or subcontractors; and
 - (c) promptly upon receipt, furnish to the Bank any notification received from any entity (including any engineer) supervising the Project's civil works, the Project's contractors and/or subcontractors regarding any incident that have might occurred during Project implementation.

Section III. Withdrawal of Loan Proceeds

A. General.

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to: (a) finance Eligible Expenditures; and (b) pay: (i) the Front-end Fee; and (ii) each Interest Rate Cap or Interest Rate Collar premium; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

| Category | Amount of the Loan Allocated (expressed in Euro) | Percentage of Expenditures to be financed (inclusive of Taxes) |
|--|---|---|
| (1) Goods, works, non-consulting services, consulting services, Operating Costs and Training for the Project | 26,134,500 | 100% |
| (2) Front-end Fee | 65,500 | Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions |
| (3) Interest Rate Cap or Interest Rate Collar premium | 0 | Amount due pursuant to Section 4.05 (c) of the General Conditions |
| TOTAL AMOUNT | 26,200,000 | |

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date
2. The Closing Date is December 15, 2025.

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SCHEDULE 3

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”).

Level Principal Repayments

| Principal Payment Date | Installment Share |
|---|--------------------------|
| On each May 1 and November 1 Beginning May 1, 2023 through November 1, 2030 | 6.25% |

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APPENDIX

Definitions

1. “Albania Financing Agreement” means the agreement between Albania and the Bank for the MPA, as such agreement may be amended from time to time. “Albania Financing Agreement” includes all appendices, schedules and agreements supplemental to the Financing Agreement.
2. “Annual Work Plan and Budget” means the work plan and budget prepared annually by the Borrower, through MoTC, and approved by the Borrower through MoTC in accordance with Section I.C of Schedule 2 to this Agreement; “Annual Work Plans and Budgets” means more than one such Annual Work Plan and Budget.
3. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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.
4. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
5. “Environmental and Social Management Framework” or “ESMF” means the plan prepared by the Borrower dated November 5, 2018, disclosed in-country, and the Bank’s website on the same date, setting out the modalities to be followed in assessing the potential adverse environmental and social impacts of Project activities including impacts, and risks of gender-based violence and sexual exploitation and abuse and the measures to be taken to offset, reduce or mitigate such adverse impacts, including measures that endeavor to prevent and respond to gender-based violence and sexual exploitation and abuse; as well as for the preparation of environmental and social management plans, as such framework may be amended by the Borrower from time to time, with the prior written agreement of the Bank.
6. “Environmental and Social Management Plans” or “ESMPs” means the plan to be prepared by the Borrower as required pursuant to the ESMF, and to be disclosed in-country, and the Bank’s website setting out details of the specific actions and measures including measures that endeavor to prevent and respond to gender-based violence and sexual exploitation and abuse, as well as policies designed to facilitate the achievement of the objectives of the respective ESMFs under the Project, along with the procedural and institutional measures needed to implement such actions, measures and policies, including any schedules to such plans, and as such plan may be amended by the Borrower from time to time, with the prior written approval of the Bank.
7. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated July 14, 2017.
8. “MoTC” means the Borrower’s Ministry of Transport and Communications.



9. “MPA Program” means the multiphase programmatic approach program whose objective is to reduce the trade costs and increase transport efficiency in participating beneficiaries in the Western Balkans.
10. “Operating Costs” means expenditures incurred by the Borrower on account of the Project implementation for office supplies, utilities, bank charges, communication tools, advertisement fees, translation and interpretation services, car rental and fuel costs, office rental and maintenance, moving expenses, equipment insurance, maintenance and repair, printing and publications, travel per diem allowances and accommodation costs for PIU staff, salaries for PIU staff, including social charges, but excluding salaries for the Borrower's civil servants.
11. “PIU” means the Borrower's Project Implementation Unit, maintained by the Borrower through MoTC and within MoTC in accordance with Section I.A. of Schedule 2 to this Agreement.
12. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017.
13. “Project Operational Manual” or “POM” means the Project Operational Manual prepared by the Borrower through the PIU within MoTC, in accordance with Section I.B of Schedule 2 to this Agreement and satisfactory to the Bank, setting forth the operational and administrative responsibilities, procedures and rules for the implementation of the Project, including the Environmental and Social Management Framework, the Performance Indicators and the financial management arrangements for the Project, as the same may be amended and supplemented from time to time with the Bank's prior written approval.
14. “Resettlement Action Plan” or “RAP” means the plan to be prepared by the Borrower, as required, pursuant to the RPF (as defined hereinafter), satisfactory to the Bank, and to be disclosed on the Bank's website, which includes the principles, guidelines, organizational arrangements and budget to implement the resettlement related activities under the Project, as said resettlement action plan may be revised from time to time with the prior written agreement of the Bank; and “RAPs” means collectively all such RAP.
15. “Resettlement Policy Framework” or “RPF” means the framework prepared by the Borrower, satisfactory to the Bank, and disclosed on the Bank's website on November 5, 2018, which sets out the resettlement principles, organizational arrangements (including consultation and budget), and design criteria to be applied to resettlement related Project activities to be prepared during Project implementation, as such framework may be amended from time to time with the prior written agreement of the Bank.
16. “Safeguard Instruments” means collectively, the ESMF, ESMP, RPF, RAP, and “Safeguard Instrument” means any of such Safeguards Instruments.
17. “Safeguard Policies” means, the Operational Policies (OPs) and Bank Procedures (BPs) of the Bank, namely OP/BP 4.01 (Environmental Assessment) and OP/BP 4.12 (Involuntary Resettlement); they can be found at <https://policies.worldbank.org>.

18. "Serbia Financing Agreement" means the agreement between Serbia and the Bank for the MPA, as such agreement may be amended from time to time. "Serbia Financing Agreement" includes all appendices, schedules and agreements supplemental to the Financing Agreement.
19. "Signature Date" means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to "the date of the Loan Agreement" in the General Conditions.
20. "Training" means Project related study tours, training courses, seminars, workshops and other training activities, including costs of training materials, space and equipment rental, travel, accommodation and per diem costs of trainees and trainers, trainers' fees, and other training related miscellaneous costs.

