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LOAN NUMBER 9109-MK

# Loan Agreement

North Macedonia Emergency Covid-19 Response Project

between

REPUBLIC OF NORTH MACEDONIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

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## LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF NORTH MACEDONIA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

### ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

### ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower the amount of ninety million Euros (€90,000,000), 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").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance, provided that the Commitment Charge for the period beginning on the date of accrual of the Commitment Charge and ending on the date of the first anniversary of such date of accrual shall be zero percent (0%).
- 2.05. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.06. The Payment Dates are March 15 and September 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

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**ARTICLE III — PROJECT**

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

**ARTICLE IV — EFFECTIVENESS; TERMINATION**

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

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

Ministry of Finance  
Dame Gruev 12  
Skopje, 1000  
Republic of North Macedonia

- (b) the Borrower's Electronic Address is:

Facsimile:  
+ 389 2 3255-721

E-mail:  
[cabinet@finance.gov.mk](mailto:cabinet@finance.gov.mk)

- 5.03. 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:

Telex:  
248423(MCI)  
or 64145(MCI)

Facsimile:  
1-202-477-6391

E-mail:  
[mpaolucci@worldbankgroup.org](mailto:mpaolucci@worldbankgroup.org)

AGREED as of the Signature Date.

**REPUBLIC OF NORTH MACEDONIA**

By

  
\_\_\_\_\_  
Authorized Representative

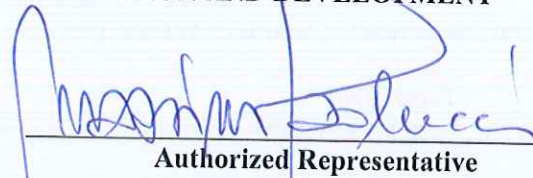
Name: FATMIR BESINI, PH.D.

Title: MINISTER OF FINANCE

Date: OCTOBER 19, 2020

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

By

  
\_\_\_\_\_  
Authorized Representative

Name: MASSIMILIANO PAOLUCCI

Title: WORLD BANK COUNTRY MANAGER

Date: OCTOBER 16 / 2020

REPUBLIC OF  
NORTH  
MACEDONIA



## SCHEDULE 1

### Project Description

The objectives of the Project are to prevent, detect and respond to the threat posed by COVID-19 and strengthen national systems for public health preparedness.

The Project constitutes a phase of the MPA Program, and consists of the following parts:

#### Part 1: Emergency COVID-19 Response

- 1.1 Enhancing case detection, confirmation, contact tracing, reporting and monitoring, including, *inter alia*: (a) strengthening disease surveillance systems and public health laboratories, through the purchase of diagnostic kits, reagents, consumables, PPE, and carrying out of training on protocols; (b) combining detection of new cases with active contact tracing, by enhancing the surveillance and contact tracing modules of the health system's current information system and linking primary care providers to it; (c) supporting epidemiological investigation and monitoring, through the carrying out of training of public health workers to undertake contact tracing, monitoring of home-isolated cases, and home treated cases; and (d) providing on-time data and information for guiding decision-making and response and mitigation activities, by enhancing systems and protocols for data reporting, analysis and dissemination.
- 1.2 Strengthening the Borrower's health system, including, *inter alia*:
  - (a) the purchasing of medical supplies, devices and equipment necessary for evaluation, treatment and monitoring, including: (i) the procurement and distribution of PPE, according to the World Health Organization guidelines; (ii) the provision of medications per COVID-19 protocols for treatment;
  - (b) the repurpose of health care facilities to meet the expected surge in demand for hospital beds, including: (i) isolation and intensive care beds; (ii) establishment of specialized units in selected hospitals; (iii) establishment of health care facilities in non-traditional sites to help address temporary surge needs; and (iv) conditioning of designated healthcare facilities, to enable them to follow established protocols;
  - (c) clinical care capacity building through the provision of expert support, carrying out of training and design of guidelines for health care workers on identifying and treating COVID-19, appropriate use of PPE and

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prevention of the spread of respiratory infections within healthcare facilities;

- (d) strengthening of medical waste management and disposal systems in healthcare facilities where COVID -19 patients are treated;
- (e) upgrade and expand the capacity of the clinic of infectious diseases, including the recondition of space and provision of installations and utilities to accommodate new ICU beds, provision of equipment and supplies to set up new ICU beds, based on evaluated needs, including, *inter alia*, mechanical ventilators, cardiac defibrillators, mobile x-rays;
- (f) building long term capacity for critical care provision; and
- (g) financing of surge staffing due to increased patient load, including expert support on clinical care of COVID-19 patients.

1.3 Financing of Health Insurance Premia for Vulnerable Beneficiaries.

Part 2. Household Support to Enable Social Distancing

- 2.1 Provision of temporary social assistance support through: (a) the financing of Cash Transfers to vulnerable households adversely affected by the economic consequences of COVID-19; and (b) the provision of food and basic supplies to quarantined populations and COVID-19 affected households.
- 2.2 Provision of temporary unemployment insurance support through the provision of a Cash Benefit for the individuals who lost their jobs as a consequence of COVID-19.

Part 3. Project Implementation, Communications, Community Engagement, and Monitoring

- 3.1 (a) provision of support to finance the administrative and human resources needed to implement the Project and monitor and evaluate progress, including, *inter alia*, the financing of staff and consultant costs associated with Project implementation, coordination and management, including support for procurement, financial management, environmental and social safeguards, monitoring and evaluation, reporting and stakeholder engagement, operating and administrative costs; (b) provision of technical assistance to strengthen the Project's emergency response, including, *inter alia*, the development of testing, treatment, referral and discharge protocols and the streamlining of the Borrower's employment agency procedures; (c) provision of support to strengthen the Borrower's longer-term capacity-building for pandemic response and preparedness; and (d) financing of performance audits focusing on key Project activities.

- 3.2 Development of communication, outreach and awareness building campaigns to ensure that culturally relevant information is disseminated to: (a) properly sensitize citizens to the risks related to COVID-19; and (b) ensure accessible information regarding the cash and in-kind benefits financed under the Project.
- 3.3 Implementation of a feedback mechanism on the Borrower's COVID-19 response, including a grievance redress mechanism and the development of an online platform for all stages of community feedback.

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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, through MLSP, shall:

(a) maintain throughout Project implementation, a Project management unit (PMU) within MLSP, with composition, resources, staff in numbers and with terms of reference, and functions acceptable to the Bank, to be responsible for: (i) the overall coordination of all Project implementation activities; (ii) ensuring that the requirements, criteria, policies, procedures, and organizational arrangements set forth in the Project Operational Manual are applied in carrying out the Project; (iii) preparation of all Project implementation documents, including Project progress reports; and (iv) monitoring and evaluation of the Project;

(b) unless otherwise agreed with the Bank, not later than one (1) month after the Effective Date, hire a health specialist to be part of the PMU, with terms of reference and qualifications acceptable to the Bank; and

(c) unless otherwise agreed with the Bank, not later than two (2) months after the Effective Date, upgrade the PMU's financial management software in a manner acceptable to the Bank.

##### B. Project Operational Manual

1. The Borrower, through MLSP, shall not later than one (1) month after the Effective Date, adopt a manual in a manner and with contents acceptable to the Bank (the Project Operational Manual) and thereafter carry out the Project in accordance with the Project Operational Manual. The provisions of the Project Operational Manual shall include, *inter alia*: (a) the indicators to be used in the monitoring and evaluation of the Project; (b) the procedures for Project monitoring, supervision and evaluation, including the format and content of the Project Reports; (c) Personal Data collection and processing requirements in accordance with good international practices; (d) the procurement and financial management procedures; (e) the procedures for the payments of the Health Insurance Premia, Cash Benefit and Cash Transfers; (f) the eligibility criteria for the beneficiaries of: (i) Cash Benefit; (ii) Cash Transfers; and (iii) food and basic supplies under Part 2.1(b) of the Project; and (g) the Anti-Corruption Guidelines.



2. Except as the Bank may otherwise agree in writing, the Borrower, through MLSP, shall not abrogate, amend, suspend, waive, or otherwise fail to enforce the Project Operational Manual or any provision thereof.
3. In case of any conflict between the terms of the Project Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

**C. Environmental and Social Standards**

1. The Borrower, through MLSP, shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.
2. Without limitation upon paragraph 1 above, the Borrower, through MLSP, shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Bank. To this end, the Borrower, through MSLP, shall ensure that:
  - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and provided in the ESCP;
  - (b) sufficient funds are available to cover the costs of implementing the ESCP;
  - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
  - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Bank shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
4. The Borrower, through MLSP, shall ensure that:
  - (a) all measures necessary are taken to collect, compile, and furnish to the Bank through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Bank, setting out, *inter alia*: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and

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- (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
  - (b) the Bank is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
5. The Borrower, through MLSP, shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Bank.
6. The Borrower, through MLSP, shall ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

**Section II. Project Monitoring, Reporting and Evaluation**

- 1. The Borrower, through MLSP, shall furnish to the Bank each Project Report not later than one (1) month after the end of each calendar year, covering the calendar year.
- 2. Except as may otherwise be explicitly required or permitted under this Agreement or as may be explicitly requested by the Bank, in sharing any information, report or document related to the activities described in Schedule 1 of this Agreement, the Borrower, through MLSP, shall ensure that such information, report or document does not include Personal Data.

**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

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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 EUR)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Operating Costs and Training for the Project	25,137,000	100%
(2) (a) Health Insurance Premia; and (b) Cash Benefit and Cash Transfers	10,638,000 54,000,000	100% 100%
(3) Front-end Fee	225,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(4) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 4.05 (c) of the General Conditions
TOTAL AMOUNT	90,000,000	

**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, except that withdrawals up to an aggregate amount not to exceed €27,000,000 may be made for payments made prior to this date but on or after February 1, 2020 for Eligible Expenditures.
2. The Closing Date is June 30, 2022.

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**SCHEDULE 3**

**Commitment-Linked Amortization Repayment Schedule**

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**

<b>Principal Payment Date</b>	<b>Installment Share</b>
On each March 15 and September 15 Beginning September 15, 2023 through September 15, 2031	5.56%
On March 15, 2032	5.48%

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## APPENDIX

### Section I. Definitions

1. "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.
2. "Cash Benefit" means a grant provided out of the proceeds of the Loan to an eligible beneficiary under Part 2.2 of the Project, pursuant to the criteria and requirements set forth in the Project Operational Manual.
3. "Cash Transfers" means a grant provided out of the proceeds of the Loan to an eligible GMI beneficiary under Part 2.1(a) of the Project, pursuant to the criteria and requirements set forth in the Project Operational Manual.
4. "Category" means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
5. "COVID-19" means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).
6. "Environmental and Social Commitment Plan" or "ESCP" means the environmental and social commitment plan for the Project, dated April 24, 2020, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Borrower shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
7. "Environmental and Social Standards" or "ESSs" means, collectively:  
(i) "Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts"; (ii) "Environmental and Social Standard 2: Labor and Working Conditions"; (iii) "Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management"; (iv) "Environmental and Social Standard 4: Community Health and Safety"; (v) "Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement"; (vi) "Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources"; (vii) "Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities"; (viii) "Environmental and Social Standard 8: Cultural Heritage"; (ix) "Environmental and Social Standard 9: Financial Intermediaries"; and

- (x) "Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure"; effective on October 1, 2018, as published by the Bank.
8. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing", dated December 14, 2018.
  9. "Guaranteed Minimum Income" or "GMI" means the Borrower's social protection program established pursuant to the Borrower's Law on Social Protection, duly published in the Borrower's Official Gazette No. 104, dated May 23, 2019.
  10. "Health Insurance Fund" or "HIF" means the Borrower's fund established pursuant to the Borrower's Law No 25/2000, duly published in the Borrower's Official Gazette on October 17, 2000.
  11. "Health Insurance Premia" means a financial transfer from the Borrower to the HIF, under Part 1.3 of the Project, to cover the cost of health services rendered to Vulnerable Beneficiaries, pursuant to the Borrower's Law No. 142/2008, duly published in the Borrower's Official Gazette on October 26, 2008.
  12. "ICU" means intensive care unit.
  13. "MLSP" means the Borrower's Ministry of Labor and Social Policy, or any successor thereto.
  14. "MOH" means the Borrower's Ministry of Health, or any successor thereto.
  15. "MPA Program" means the multiphase programmatic approach program designed to prevent, detect and respond to the threat posed by COVID-19 and strengthen national systems for public health preparedness.
  16. "Operating Costs" means reasonable incremental expenses incurred on account of implementation of the Project, including, *inter alia*, office supplies and other consumable goods, internet and communications costs, support for information systems, translation costs, bank charges, utilities, travel, transportation, per diem, accommodation costs (lodging) and other reasonable expenditures directly associated with the implementation of the Project, on the basis of annual budgets acceptable to the Bank, excluding salaries of the civil service employees, except for additional staff needed to cover the increased demand for health services as a result of COVID-19 (surge staffing) that were not foreseen or included in the Borrower's budget.
  17. "Personal Data" means any information relating to an identified or identifiable individual. An identifiable individual is one who can be identified by reasonable means, directly or indirectly, by reference to an attribute or combination of attributes within the data, or combination of the data with other available

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information. Attributes that can be used to identify an identifiable individual include, but are not limited to, name, identification number, location data, online identifier, metadata and factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of an individual.

18. "PMU" means the Project Management Unit referred to in Section I.A.1 of Schedule 2 to this Agreement.
19. "PPE" means personal protective equipment.
20. "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 and August 2018.
21. "Project Operational Manual" means the manual referred to in Section I.B.1 of Schedule 2 to this Agreement.
22. "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.
23. "Training" means the reasonable costs, as shall have been approved by the Bank, for training and workshops 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, study tours and other costs directly related to training course and workshop preparation and implementation (but excluding goods and consulting services).
24. "Unemployment Insurance" means the Borrower's program for "Employment and Responsibility In Case Of Unemployment", established pursuant to the Borrower's Law No. 37/97, duly published in the Borrower's Official Gazette on July 31, 1997.
25. "Vulnerable Beneficiaries" means the individuals which meet the eligibility criteria set forth in the Project Operational Manual.

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