

**Legal Department
NEGOTIATED VERSION
December 10, 2019**

LOAN NUMBER 9036-MK

Loan Agreement

(Social Insurance Administration Project)

between

REPUBLIC OF NORTH MACEDONIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

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 thirteen million eight hundred thousand Euros, (EUR 13,800,000), 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.
- 2.05. 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.
- 2.06. 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.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower, through 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 — 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

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:

Facsimile:

E-mail:

248423(MCI) or
64145(MCI)

1-202-477-6391

mmantovanelli@worldbank.org

AGREED as of the Signature Date.

REPUBLIC OF NORTH MACEDONIA

By

Authorized Representative

Name: _____

Title: _____

Date: _____

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By

Authorized Representative

Name: _____

Title: _____

Date: _____

SCHEDULE 1

Project Description

The objective of the Project is to improve the quality of services in administering social insurance and strengthen the regulatory framework for people with disabilities and hazardous occupations.

The Project consists of the following parts:

Part 1. Improving the Quality of the Social Insurance Administration Services

1.1 Establishment of a single unified registry system for social insurance.

1.2 Improvement and modernization of business processes in PIOM.

Part 2. Strengthen the Regulatory Framework for People with Disabilities and for Hazardous Occupations

2.1 Establishment of a unified disability assessment system and a central disability certification coordination unit.

2.2 Reforming the system of employment of persons with disabilities, through: (a) the provision of technical assistance to develop a new legal framework; (b) the carrying out of national information and education campaigns, especially targeted toward persons with disabilities; and (c) the establishment of a national registry of persons with disabilities and a monitoring and evaluation system.

2.3 Revision of the list of hazardous occupations eligible for early retirement with extended service period.

Part 3. Project Management

Provision of support for: (a) the operation of the PMU; and (b) the development and implementation of a monitoring and evaluation system for the Project.

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 maintain throughout Project implementation, a Project management unit (PMU) with composition, resources, terms of reference, and functions acceptable to the Bank, including the responsibility to manage, coordinate, monitor and evaluate the implementation of the Project.
2. The Borrower, through MLSP, shall maintain throughout Project implementation the Steering Committee, with composition and functions acceptable to the Bank.
3. Not later than two months after the Effective Date, the Borrower, through the PMU, shall update its accounting software in a manner acceptable to the Bank.

B. Project Operational Manual.

1. The Borrower, through MLSP, shall carry out the Project in accordance with the provisions of a manual (the Project Operational Manual), in a manner and with contents acceptable to the Bank, including *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; and (c) the Project's procurement and financial management procedures.
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 MLSP, shall ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and as further specified in the ESCP;

- (b) sufficient funds are available to cover the costs of implementing the ESCP;
- (c) policies, procedures and qualified staff are maintained to enable it to implement the ESCP, as further specified in the ESCP; and
- (d) the ESCP or any provision thereof, is not amended, revised or waived, except as the Bank shall otherwise agree in writing and the Borrower has, thereafter, disclosed the revised ESCP.

In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

- 3. The Borrower, through MLSP, shall:
 - (a) take all measures necessary on its part 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 management tools and 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 (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
 - (b) promptly notify the Bank 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 instruments referenced therein and the Environmental and Social Standards.
- 4. The Borrower, through MLSP, shall maintain and publicize the availability of a grievance 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

The Borrower, through MLSP, shall furnish to the Bank each Project Report not later than one month after the end of each calendar year, covering the calendar year.

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 EUR)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Training and Operating Costs for the Project	13,765,500	100%
(2) Front-end Fee	34,500	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	13,800,000	

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 April 30, 2023.

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

Principal Payment Date	Installment Share
On each March 15 and September 15 Beginning March 15, 2023 through March 15, 2031	5.56%
On September 15, 2031	5.48%

APPENDIX

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. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
3. “Environmental and Social Commitment Plan” or the acronym “ESCP” means the Borrower’s environmental and social commitment plan, acceptable to the Bank, dated December 10, 2019, which sets out a summary of the material measures and actions to address the potential environmental and social risks and impacts of the Project, including the timing of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any instruments to be prepared thereunder; as the ESCP may be revised from time to time, with prior written agreement of the Bank, and such term includes any annexes or schedules to such plan.
4. “Environmental and Social Standards” 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”; (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Bank at <https://www.worldbank.org/en/projects-operations/environmental-and-social-framework>.
5. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated December 14, 2018.
6. “MLSP” means the Borrower’s Ministry of Labor and Social Policy, or any successor thereto.
7. “Operating Costs” means reasonable incremental expenses incurred on account of implementation of the Project, including, *inter alia*, office supplies and other consumable goods, office rent, 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.
8. “PIOM” means the Borrower’s Pension and Disability Insurance Fund, established pursuant to the Borrower’s Law on Pension and Disability Insurance, duly published in the Borrower’s Official Gazette No. 80/1993, on December 30, 1993.
 9. “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.
 10. “Project Operational Manual” means the manual referred to in Section I.B.1 of Schedule 2 to this Agreement.
 11. “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.
 12. “Steering Committee” means the committee referred to in Section I.A.2 of Schedule 2 to this Agreement, established pursuant to the Borrower’s Decision No. 45-8738/1, dated November 26, 2019, duly published in the Borrower’s Official Gazette No. 246 on November 29, 2019, chaired by MLSP and comprised of representatives from: (i) the Borrower’s Ministry of Finance; (ii) the Borrower’s Ministry of Health; (iii) the Borrower’s Tax Administration; (iv) PIOM; (v) the Borrower’s Health Insurance Fund; (vi) the Borrower’s Employment Agency; and (vii) the Borrower’s Agency for Supervision of Funded Pension Insurance.
 13. “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 consultants’ services).