

Public Disclosure Authorized

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**LOAN NUMBER 4768 MK**

## **Loan Agreement**

**(Real Estate Cadastre and Registration Project)**

**between**

**FORMER YUGOSLAV REPUBLIC OF MACEDONIA  
(the Borrower)**

**and**

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

**Dated June 6, 2005**

Public Disclosure Authorized



**LOAN NUMBER 4768 MK**

**LOAN AGREEMENT**

AGREEMENT, dated June 6, 2005, between the Borrower and the Bank.

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist in the financing of the Project;

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

**ARTICLE I**

**General Conditions; Definitions**

Section 1.01. The “General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans” of the Bank, dated May 30, 1995 (as amended through May 1, 2004), with the modification set forth below (the General Conditions), constitute an integral part of this Agreement:

“Section 6.03 (c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth:

(a) “Eligible Categories” means Categories (1), (2), (3), (4), (5), (6) and (7) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(b) “Eligible Expenditures” means the expenditures for goods, works and consultants’ services referred to in Section 2.02 of this Agreement;

(c) “Euro” or “€” means the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty Establishing the European Community, as amended by the Treaty on the European Union;

(d) “Financial Monitoring Report” or “FMR” means each financial monitoring report prepared in accordance with Section 4.02 of this Agreement;

(e) “LSCR Law” means the Borrower’s Law on Land Survey, Cadastre, and Registration of Real Estate Rights of 1986, amended 1991, as it may be further amended from time to time;

(f) “PMU” means the Project Management Unit, established within the SAGW (as hereafter defined) by order of the Director of the SAGW No. 02-76/1, dated January 11, 2005 and referred to in paragraph A.2 of Schedule 5 to this Agreement;

(g) “Procurement Plan” means the Borrower’s procurement plan, dated December 14, 2004, covering the whole Project implementation period, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement;

(h) “Project Implementation Plan” means the plan, prepared by the SAGW, dated December 14, 2004, and referred to in paragraph 1 of Schedule 5 to this Agreement, which sets forth the organizational arrangements and procedures for the execution of the Project, as such plan may be amended from time to time;

(i) “REC” means the real estate cadastre;

(j) “Report-based Disbursements” means the Borrower’s option for withdrawal of funds from the Loan Account referred to in Part A.4 of Schedule 1 to this Agreement;

(k) “SAGW” means the Borrower’s State Authority for Geodetic Works, the legal successor of the Geodetic Administration of the People’s Republic of Macedonia established pursuant to a Decree of the Government of the People’s Republic of Macedonia published in the Official Gazette of the People’s Republic of Macedonia No. 25 of July 28, 1947, as amended, and includes any successor thereto;

(l) “SESG” means the social and environmental safeguards guidelines, dated December 14, 2004, adopted by the SAGW for purposes of the Project and referred to in paragraph A.1 of Schedule 5 to this Agreement; and

(m) “Special Account” means the account referred to in Part B of Schedule 1 to this Agreement.

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to the SAGW.

## ARTICLE II

### The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to ten million three hundred thousand Euro (€10,300,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of works, goods and services required for the Project and to be financed out of the proceeds of the Loan and in respect of the fee referred to in Section 2.04 of this Agreement.

Section 2.03. The Closing Date shall be December 31, 2009 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

- (i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.
- (ii) "Interest Payment Date" means any date specified in Section 2.07 of this Agreement.
- (iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in Euro for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on

or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

- (iv) “LIBOR Total Spread” means, for each Interest Period: (A) three-fourths of one percent (3/4 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank’s outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months’ notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.07. Interest and other charges shall be payable semiannually in arrears on May 15 and November 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, shall carry out the Project through the SAGW with due diligence and efficiency and in conformity with appropriate administrative, financial, cadastral and real estate registration, and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower, through

the SAGW, shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than 12 months after the date of the preceding Procurement Plan, for the Bank's approval.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan designed to ensure the continued achievement of the Project's objectives; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. Where buildings or dwellings have been constructed or occupied otherwise than in accordance with applicable laws or regulations of the Borrower, the Borrower shall only record the buildings or dwellings in the REC, and shall not register any ownership rights over the relevant land, unless and until such buildings or dwellings have been regularized in accordance with such applicable laws or regulations, in which case ownership rights over the buildings or dwellings, and the relevant land, shall be registered by the Borrower in the REC upon application of the occupier and fulfillment of the conditions prescribed by such laws or regulations.

## **ARTICLE IV**

### **Financial Covenants**

Section 4.01. (a) The Borrower, through the SAGW, shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower, through the SAGW, shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied auditing

standards acceptable to the Bank, by independent auditors acceptable to the Bank;

- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of reports referred to in Part A.5 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Borrower, through the SAGW, shall:

- (i) retain, until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Bank's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Parts B and C of Schedule 5 to this Agreement, the Borrower, through the SAGW, shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and



explains variances between the actual and planned Project implementation; and

- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

## **ARTICLE V**

### **Termination**

Section 5.01. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

## **ARTICLE VI**

### **Representative of the Borrower; Addresses**

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance  
Dame Gruev 14  
1000 Skopje

Cable address:

Telex:

Facsimile:

51119

(389-2) 311-7280

For the Bank:

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

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the city of Skopje, as of the day and year first above written.

**BORROWER**

By /s/ Nikola Popovski  
Authorized Representative

**BANK**

By /s/ Sandra Bloemenkamp  
Authorized Representative

## SCHEDULE 1

### Withdrawal of the Proceeds of the Loan

#### A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Euro)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	790,000	83%
(2) Goods	930,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 83% of local expenditures for other items procured locally
(3) Mapping/Cadastral Survey Services	4,700,000	100% of foreign expenditures, 83% of expenditures of local firms, and 85% of expenditures of local individuals
(4) Adjudication Services	1,660,000	85%
(5) Consultants' services, including auditing services	1,008,500	100% of expenditures of foreign consultants, 83% of expenditures of local consulting firms, and 85% of expenditures of local individual consultants

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Euro)</u>	<u>% of Expenditures to be Financed</u>
(6) Incremental Operating Costs	660,000	95% through June 30, 2007; 50% through June 30, 2008; and 25% thereafter
(7) Front-end fee	51,500	Amount due under Section 2.04 of this Agreement
(8) Unallocated	<u>500,000</u>	
TOTAL	<u>10,300,000</u>	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for works, goods or services supplied from the territory of the Borrower;

(c) the term “Mapping/Cadastral Survey Services” means expenditures for the costs of production of geodetic control points, aerial photography, orthophoto maps, satellite images, cadastral surveys and cadastre maps, digitization and vectorization, and other reasonable expenditures incurred as part of the production of the above and directly associated with implementation of Project activities as may be agreed with the Bank;

(d) the term “Adjudication Services” means expenditures for the costs of commissions involved in the registration of real estate rights, including the rental of office space, the cost of salaries for contract staff (other than those financed under Category (5)), local travel, material and miscellaneous supplies, and other reasonable expenditures incurred by such commissions directly associated with implementation of Project activities as may be agreed with the Bank; and

(e) the term “Incremental Operating Costs” means reasonable and necessary incremental expenditures, approved by the Bank on the basis of annual budgets acceptable to the Bank, incurred by the SAGW on account of Project implementation, management and monitoring, including the cost of office rent, equipment maintenance and repair, vehicle operation (including fuel costs), maintenance and repair, materials and supplies, communication costs, support for information systems, translation and

interpretation costs, bank charges, local travel costs and per diem allowances for the SAGW staff assigned to field and office work on the Project where local travel is involved, and other miscellaneous costs directly associated with the implementation of Project activities.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than □75,000 equivalent per contract; (b) works costing less than □75,000 equivalent per contract; (c) services of individual consultants, including for the purposes of Adjudication Services, costing less than □37,500 equivalent per contract; (d) services of consulting firms, including for the purposes of Adjudication Services, under contracts costing less than □75,000 equivalent per contract; and (e) Mapping/Cadastral Survey Services costing less than □75,000 equivalent per contract; all under such terms and conditions as the Bank shall specify by notice to the Borrower.

5. The Borrower may request withdrawals from the Loan Account to be made on the basis of reports to be submitted to the Bank in form and substance satisfactory to the Bank, such reports to include the FMR and any other information as the Bank shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Bank before any withdrawal has been made from the Loan Account, the Borrower shall submit to the Bank only a statement with the projected sources and applications of funds for the Project for the three-month period following the date of such request.

#### B. Special Account

1. The Borrower may open and maintain in Euro a special deposit account in the National Bank of the Republic of Macedonia, the central bank of the Borrower.

2. After the Bank has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Loan Account of amounts to be deposited into the Special Account shall be made as follows:

(a) if the Borrower is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Borrower is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank

such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if the Bank, at any time, is not satisfied that the reports referred to in Part A.4 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Bank determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Loan Account; or

(c) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Borrower shall, through the SAGW, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower, through the SAGW, has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to subparagraphs (a), (b) or (c) of this paragraph 6 shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Loan Agreement.

**Annex A  
to  
SCHEDULE 1**

**Operation of Special Account  
When Withdrawals Are Not  
Report-based Disbursements**

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of \$1,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested.

(b) For replenishment of the Special Account, the Borrower, through the SAGW, shall furnish to the Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. Prior to or at the time of each such request, the Borrower, through the SAGW, shall furnish to the Bank the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.

3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Loan minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special



Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

**Annex B  
to  
SCHEDULE 1**

**Operation of Special Account  
When Withdrawals Are  
Report-based Disbursements**

1. Withdrawals from the Loan Account shall be deposited by the Bank into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.
2. Upon receipt of each application for withdrawal of an amount of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the reports referred to in Part A.4 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the three-month period following the date of such reports.

## **SCHEDULE 2**

### **Description of the Project**

The objective of the Project is to build an efficient and effective real estate cadastre and registration system, contributing to the development of efficient land and real estate markets in the territory of the Borrower.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

#### Part A: Completing the Real Estate Cadastre (REC) and Registration of Rights

1. Operational support for completion of the REC, including:
  - (a) base mapping;
  - (b) re-survey and updating of cadastral maps;
  - (c) systematic adjudication and registration of real estate rights, and rationalization of registration procedures; and
  - (d) rationalization and streamlining of procedures of systematic registration, sporadic registration and conversion of land cadastre to the REC.
2. Support for a public awareness campaign for the REC (systematic registration), including support for mediation and legal advice in order to facilitate the participation of property owners in the systematic and sporadic registration procedures.

#### Part B: Institutional Development and Improving Service Delivery

1. Provision for institutional development and capacity building for the SAGW with focus on developing the SAGW into an efficient and public service oriented agency with the goal of self-financing.
2. Provision for promoting transparency and accountability in the SAGW through the issuance of a “customer bill of rights”, the establishment of a telephone hotline for customer complaints, and strengthening internal investigation of corruption and misconduct.
3. Provision for improving registration services for the public with focus on the SAGW local offices and customer service for secondary transactions, including media relations and regular dissemination of information to the public on the SAGW services.
4. Support for the development of an automated registration and cadastre system.

5. Support for the development of a strategic plan and associated human resource development in the SAGW, including training for private sector surveyors and upgrading of the geodetic engineering education program at Cyril & Methodius University in Skopje.

Part C: Development of Land Policy

1. Support for the development of government capacity to develop policies and a regulatory framework through a consultative process.

2. Support for the formulation of specific land and real estate policies necessary to ensure completion of the real estate cadastre and for the full functioning of land and real estate markets.

Part D: Project Management

1. Support to the SAGW to manage the Project through financing the PMU expenses, including contract staff, incremental operating costs, equipment, vehicles and training, as well as provision for the coordination of public relations and information dissemination under Parts A and B of the Project.

2. Support for the establishment of an integrated monitoring and evaluation system for Project implementation, as well as provision for carrying out a socio-economic and environmental impact assessment to measure Project impact.

\* \* \*

The Project is expected to be completed by June 30, 2009.

**SCHEDULE 3**

**Amortization Schedule**

<u>Date Payment Due</u>	Payment of Principal (Expressed in <u>Euro</u> )
On each May 15 and November 15 beginning November 15, 2010 through November 15, 2021	430,000
On May 15, 2022	410,000

## **SCHEDULE 4**

### **Procurement**

#### Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

#### Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

#### B. Other Procurement Procedures

1. National Competitive Bidding. Technical services and goods (only office furniture) estimated to cost less than □220,000 equivalent per contract and works estimated to cost less than □750,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding and the following additional provisions:

- (a) Eligibility: Foreign bidders shall not be excluded from bidding and no preference of any kind shall be given to national bidders;
- (b) Procedures: "Open Tendering" procedures shall be followed in all cases. Invitations to bid shall be advertised in at least one widely circulated national daily newspaper, allowing minimum of 30 days for preparation and submission of bids.

- (c) Participation by Government-Owned enterprises: Government-owned enterprises in FYR Macedonia shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the Borrower. Such enterprises shall be subject to the same bid and performance security requirements as other bidders.
  - (d) Bidding Documents: Appropriate standard bidding documents for procurement of goods, works and technical services shall be used, which shall include draft contract and conditions of contract, satisfactory to the Bank. The technical specifications contained in the bidding documents shall be precise and clearly written and describe the subject procurement in an objective, strictly functional and impartial manner.
  - (e) Submission of Bids: Bidders may, at their option, submit bids either in person, by courier services or by mail at any time prior to the deadline for submission of bids.
  - (f) Bid Opening and Evaluation: Bids shall be opened immediately after the deadline for submission of bids and in public. The time and place for bid opening shall be announced in the bidding documents. Evaluation of bids shall be made in strict adherence to the bid evaluation criteria, expressed in quantifiable terms and disclosed in the bidding documents. The contracts shall be awarded to qualified bidders having submitted the lowest evaluated substantially responsive bid. The bidder recommended for award of contract shall be required to comply with minimum experience and technical and financial requirements disclosed in the bidding documents. Negotiations shall not be allowed with lowest evaluated bidder or any other bidder.
  - (g) Rejection of Bids: All bids shall not be rejected and new bids shall not be solicited without the Bank's prior concurrence.
  - (h) Securities: The bid securities shall not exceed 3% of the estimated cost of the contract. The performance securities shall not exceed 10% of the contract amount. No advance payment shall be made without a suitable advance payment security for the same amount.
2. Shopping. Goods estimated to cost less than □75,000 equivalent per contract and works estimated to cost less than □75,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.
3. Direct Contracting. Goods and works which the Bank agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than □75,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Quality-based Selection. Services for assignments which the Bank agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications. Services estimated to cost less than □150,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

3. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

4. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

Section IV. 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.



## SCHEDULE 5

### Implementation Program

#### A. Project Implementation Management

1. Except as the Bank shall otherwise agree, the SAGW shall have the sole responsibility for the implementation of the Project. The Borrower shall cause the SAGW to carry out the Project in accordance with the provisions of the Project Implementation Plan, including the provisions of the SESG.

2. Except as the Bank shall otherwise agree, the PMU, of the composition and terms of reference, satisfactory to the Bank, shall be responsible for overall Project coordination and management. The PMU, *inter alia*, shall be responsible for: (i) planning and budgeting; (ii) procurement; (iii) financial management; (iv) technical coordination; (v) public relations and community participation; and (vi) monitoring and evaluation. The Borrower shall cause the SAGW to maintain the PMU until completion of the Project with staff, resources and terms of reference satisfactory to the Bank.

#### B. Actions by the Borrower

The Borrower shall:

(a) take all steps necessary for the submission to the Parliament by December 31, 2005 of an amendment of the LSCR Law, satisfactory to the Bank, to allow the use of private surveyors and to reduce the amount of data to be collected in order to issue ownership rights to land;

(b) ensure that the SAGW remains a government agency with control over its own budget, resources, and direct reporting between its field offices and its headquarters for the entire duration of the Project; and

(c) develop a policy, satisfactory to the Bank, on how to improve the security of registered ownership rights, by May 30, 2006.

#### C. Actions by the SAGW

The Borrower shall cause the SAGW to:

(a) issue a customer bill of rights, satisfactory to the Bank, and to establish an effective telephone hotline with suitable staff to receive customer complaints, each no later than by June 30, 2006;

(b) establish and retain a written log of each customer complaint received through the telephone hotline, including an accurate summary with reasonable detail of the nature of such complaint, and enable the Bank's representatives to examine such logs,

as well as any additional complaints that may have been submitted by customers in writing, and make copies thereof, as well as furnish to the Bank such other information concerning such logs and complaints, as the Bank may from time to time reasonably request;

(c) complete by December 31, 2006 a strategic plan for the SAGW and a human resources development plan;

(d) develop a strategic plan and a time bound implementation plan for transformation of the SAGW into an autonomous self-financed agency with a board appointed by the Borrower, by June 30, 2008;

(e) establish clear and transparent service standards, satisfactory to the Bank, for registration of transactions in all of its offices, by May 30, 2006;

(f) hire an independent agency/entity, acceptable to the Bank and under terms of reference satisfactory to the Bank, to undertake client surveys on a regular basis and to monitor compliance of service standards, no later than by December 31, 2005;

(g) prepare a customer awareness and public relations strategy, satisfactory to the Bank, by December 31, 2005 to support works of systematic registration and real estate cadastre offices;

(h) submit to the Bank an annual work plan and budget for the Project, based upon the Project Implementation Plan and the SESG, for the Bank's review and comments by July 31 each year; and

(i) submit to the Bank a progress report by March 31 and September 30 of each year, starting with September 30, 2005.

D. Monitoring and Evaluation

1. The Borrower shall cause the SAGW to:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators acceptable to the Bank, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about September 30, 2007, 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; and

(c) review with the Bank, by October 30, 2007, 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.