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**LOAN NUMBER 7699-MK**

# **Loan Agreement**

**(Municipal Services Improvement Project)**

**between**

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

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated June 29, 2009**

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Public Disclosure Authorized

## **LOAN AGREEMENT**

Agreement dated June 29, 2009, between the Borrower and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the 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) constitute an integral 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, on the terms and conditions set forth or referred to in this Agreement, the amount of eighteen million nine hundred thousand Euro (€18,900,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("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 IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.
- 2.05. The Payment Dates are February 15 and August 15 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; and (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

### **ARTICLE III - PROJECT**

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV - EFFECTIVENESS; TERMINATION**

- 4.01. Additional Conditions of Effectiveness consist of the following:
- (a) The Project Operational Manual, including models of a Sub-loan Agreement and a Grant Agreement, satisfactory to the Bank, has been adopted by the Borrower.
- (b) The Project Coordination Committee with a composition, resources and terms of reference satisfactory to the Bank has been established by the Borrower.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

**ARTICLE V - REPRESENTATIVE; ADDRESSES**

5.01. The Borrower's Representative is its Minister of Finance.

5.02. The Borrower's Address is:

Ministry of Finance  
Dame Gruev 14  
1000 Skopje

Facsimile:

389 2 3117 280

5.03. The Bank's Address is:

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)

1-202-477-6391

AGREED at Skopje, as of the day and year first above written.

**BORROWER**

By /s/ Trajko Slaveski

Authorized Representative

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

By /s/ Markus Repnik

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to improve transparency, financial sustainability and delivery of targeted municipal services in the Participating Municipalities.

The Project consists of the following parts:

#### Component A: Municipal Investments

Provision of Sub-loans to the Participating Municipalities to finance Sub-projects in the area of water and sanitation services, solid waste management and other revenue-generating or cost saving investments in communal services selected in accordance with the criteria and procedures set forth in the Project Operational Manual.

#### Component B: Capacity Building and Institutional Reform

1. Provision of consultants' services and Training to the Participating Municipalities to assist with Sub-projects preparation and implementation.
2. Provision of consultants' services and Training to the Participating Municipalities and their communal service enterprises to strengthen their capacity in service provision, communications and public outreach activities and in meeting the selection criteria for Performance-based Investment Grants under Component C of the Project.
3. Institutional strengthening of the Borrower's national agencies through study of policy issues and strategy development related to the financial sustainability of municipal services.

#### Component C: Performance-based Investment Grants

Provision of Performance-based Investment Grants to selected Participating Municipalities that meet the performance criteria set forth in the POM as an incentive and reward for improving the performance of municipal service delivery.

#### Component D: Project Management, Monitoring and Evaluation

Strengthening the capacity of the PMU, Participating Municipalities and their communal service enterprises for Project management, monitoring and evaluation through the provision of goods, consultant services, including Project audit, Training, and financing of Operating Costs.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Implementation Arrangements**

##### **A. Institutional Arrangements**

1. At all times during the implementation of the Project the Borrower shall maintain the Project Coordination Committee with a composition, resources and terms of reference satisfactory to the Bank.
2. Throughout the duration of the Project the Borrower shall maintain the PMU responsible for overall management, coordination, monitoring and evaluation of the Project with a composition, staff, resources and terms of reference satisfactory to the Bank.
3. The Borrower shall carry out the Project in accordance with the Project Operational Manual and shall not amend, suspend, abrogate, repeal or waive any provision of said Manual without the prior approval of the Bank.

##### **B. Anti-Corruption**

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

##### **C. Safeguards**

1. The Borrower shall carry out the Project, including Sub-projects under Components A and C of the Project, in accordance with the Environmental Assessment Management Framework and the Land Acquisition and Resettlement Policy Framework, and shall not amend, suspend, abrogate, repeal or waive any provision of said Frameworks without the prior approval of the Bank.
2. The Borrower shall ensure that no Loan proceeds are used to finance activities which are expected to generate significant adverse, long lasting and irreversible environmental effects.
3. For purposes of Sub-projects under Components A and C of the Project and prior to the commencement of works for each proposed site, the Borrower shall: (a) submit to the Bank for its approval: (i) the proposed site for said works and, where required by the EAMF and/or LARPF, the related site-specific environmental management plan, land acquisition and/or resettlement plan and checklist, said site-specific plans and checklist to be in form and substance satisfactory to the Bank; and (ii) the proposed contract for said works to ensure

that the provisions of said site-specific plans and checklist are adequately included in said contract; and (b) ensure that such works are carried out in accordance with the EAMF and/or LARPF.

**D. Sub-projects**

1. Sub-projects under Components A and C of the Project shall be selected, appraised, implemented and evaluated in accordance with the principles, procedures and requirements set forth in the POM, Procurement and Consultants Guidelines, Anti-Corruption Guidelines, EAMF and LARPF.
2. The Borrower shall provide each Sub-loan or Grant to the selected Participating Municipality on terms and conditions satisfactory to the Bank, which shall include the following:
  - (a) each Sub-loan or Grant shall be denominated in Macedonian Denars;
  - (b) the total maturity of each Sub-loan shall not exceed thirteen (13) years, including up to three (3) years of grace period, provided that the last repayment date of each Sub-loan shall not exceed the last repayment date of the Loan;
  - (c) the interest payable by a Sub-loan recipient shall be equal to the interest payable by the Borrower to the Bank according to this Loan Agreement; and
  - (d) under each Sub-loan Agreement and Grant Agreement the Borrower shall obtain rights adequate to protect its interests and those of the Bank, including the right to:
    - (i) suspend or terminate the right of the respective Participating Municipality to use the proceeds of the Sub-loan or Performance-based Investment Grant, or obtain a refund of all or any part of such Sub-loan or Grant, upon the Municipality's failure to perform any of its obligations under the respective Sub-loan or Grant Agreement; and
    - (ii) require each Participating Municipality to: (A) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower, the EAMF and the LARPF; (B) provide, promptly as needed, the resources required for the

purpose of the Sub-project; (C) procure the goods, works and services to be financed out of the Sub-loan or Grant in accordance with the provisions of this Agreement, and Procurement and Consultant Guidelines; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Sub-project and the achievement of its objectives; (E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and (2) at the Bank's or the Borrower's request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower and the Bank; (F) enable the Borrower and the Bank to inspect the Sub-project, its operation and any relevant records and documents; and (G) prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the Sub-project.

3. The Borrower shall exercise its rights under each Sub-loan Agreement and Grant Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Project.

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

### **A. Project Reports**

1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators agreed with the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty five (45) days after the end of the period covered by such report.
2. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than six (6) months after the Closing Date.



**B. Financial Management, Financial Reports and Audits**

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Component A of this Section, the Borrower shall prepare and furnish to the Bank not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

**Section III. Procurement**

**A. General**

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive

Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

| <b>Procurement Method</b> |   |
|---------------------------|---|
| (a)                       | National Competitive Bidding, subject to the requirements set forth in the Annex to this Schedule 2 |
| (b)                       | Shopping  |
| (c)                       | Direct Contracting  |

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

| <b>Procurement Method</b> |  |
|---------------------------|--|
| (a)                       | Selection under a Fixed Budget                                       |
| (b)                       | Least Cost Selection   |
| (c)                       | Selection based on Consultants' Qualifications                       |
| (d)                       | Selection of Individual Consultants, including Sole-Source Selection |
| (e)                       | Single-Source Selection  |

**D. Operating Costs**

Incremental expenditures included in the Operating Costs category can be procured in accordance with the established Borrower's administrative procedures acceptable to the Bank.

**E. 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.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

| <b>Category</b>  | <b>Amount of the Loan Allocated<br/>(expressed in Euro)</b> | <b>Percentage of Expenditures to be financed</b>  |
|--|---|---|
| (1) Sub-loans under Component A of the Project                       | 15,072,650  | 100%  |
| (2) Goods, works, consultants’ services and Training for the Project | 1,415,900   | 100%  |
| (3) Grants under Component C of the Project                          | 2,268,000   | 100%  |
| (4) Operating Costs  | 96,200  | 100%  |
| (5) Front-end Fee  | 47,250  | Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions |
| <b>TOTAL AMOUNT</b>  | <b><u>18,900,000</u></b>                                    |   |

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made from the Loan Account for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed EUR 100,000 equivalent may be made for payments made prior to this date but on or after January 1, 2009, for Eligible Expenditures under Categories (2) and (4).
2. The Closing Date is November 30, 2014.

**Annex to Schedule 2****Additional Provisions for National Competitive Bidding**

In order to ensure economy, efficiency, transparency and broad consistency with the provisions of Section I of the Guidelines, the following criteria shall be followed in procurement under National Competitive Bidding procedures:

(a) *Generalities*

Bidding shall be conducted using “Open Procedures.” Furthermore, restricted procedure shall not be used without the express consent of the Bank and is subject to the following conditions:

- the contracting authority shall invite all the candidates that meet the selection criteria; and
- no maximum number of selected candidates shall apply.

(b) *Registration*

- Bidding shall not be restricted to pre-registered firms.
- Where registration is required, bidders (1) shall be allowed a reasonable time to complete the registration process, and (2) shall not be denied registration for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.
- Foreign bidders not from the territory of the Borrower shall not be precluded from bidding. If a registration process is required, a foreign bidder declared the lowest evaluated bidder shall be given a reasonable opportunity to register.

(c) *Advertising, time for submission of bids*

- Invitations to bid shall be advertised in at least one widely circulated national daily newspaper. Invitations could be also advertised on the web sites of the Public Procurement Bureau and respective ministry.
- Time allowed for the preparation and submission of bids shall not be less than thirty (30) days from the time of the invitation to bid or the date of availability of bidding documents, whichever is later.

(d) *Pre-qualification*

- When pre-qualification shall be required for large or complex works, invitations to pre-qualify for bidding shall be advertised in at least one (1) widely circulated national daily newspaper. Invitations could be also published on the web sites of the Public Procurement Bureau and respective ministry.
- Time allowed for the preparation and submission of bids shall not be less than thirty (30) days from the time of the invitation to bid or the date of availability of bidding documents, whichever is later.
- Minimum experience, and technical and financial requirements, shall be explicitly stated in the pre-qualification documents.

(e) *Participation of Publicly-owned enterprises*

Publicly-owned enterprises 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 contracting authority. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

(f) *Bidding Documents*

Procuring entities shall use the appropriate standard bidding documents acceptable to the Bank for procurement of goods and works.

(g) *Bid Opening, Bid Evaluation and Contract Award*

- Bids shall be submitted in a single envelope containing the bidder's qualification information, technical and price bids, which shall be opened simultaneously at the public bid opening.
- No bids shall be rejected at the bid opening except for late bids and bids shall not be evaluated as part of bid opening process.
- The economic, financial and technical capacity of the bidders cannot be guaranteed by another entity, except joint venture and observing those criteria set up in the bidding documents.
- Evaluation of bids shall be made in strict adherence to the quantifiable criteria declared in the bidding documents and evaluation criteria other than price shall be quantified in monetary terms.

- Bids not substantially responsive shall be rejected.
- Extensions of bid validity will be allowed once only for not more than 30 days.
- No further extensions shall be requested without the prior approval of the Bank.
- Contracts shall be awarded to the qualified bidder having submitted the lowest-evaluated and substantially responsive bid. No negotiation shall take place.

(h) *Rejection of all bids*

All bids shall not be rejected and a new procurement process starts without the Bank's prior concurrence.

(i) *Price Adjustment*

Civil works contracts of long duration (more than 18 months) shall contain an appropriate price adjustment clause.

(j) *Securities*

- Bid security and performance security should follow the generally accepted practice used in the local market.
- Alternative methods such as bid securing declaration may be acceptable, in which case the Borrower may require bidders to sign a declaration accepting that if they withdraw or modify their bids during the period of validity or they are awarded the contract and they fail to sign the contract or to submit a performance security before the deadline defined in the bidding documents, the bidder will be suspended for bidding in any contract with the implementing uni
- No advance payment shall be made to contractors without a suitable advance payment security. These securities shall be included in the bidding documents in a text and format acceptable to the Bank.

(k) *Right to inspect and audit*

Each contract financed from the proceeds of the Loan shall provide that the suppliers, contractors and subcontractors shall permit the Bank, at its request, to inspect their accounts and records relating to the procurement and performance of the contract and to have said accounts and records audited by auditors appointed by the Bank. The

deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.

(1) *Fraud & Corruption*

The Bank shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Bank, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, a contract financed by the World Bank Group.



### SCHEDULE 3

#### Amortization Schedule

1. 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”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

| <b>Principal Payment Date</b>   | <b>Installment Share<br/>(Expressed as a Percentage)</b> |
|---|--|
| On each February 15 and August 15<br>Beginning August 15, 2014<br>through February 15, 2022 | 6.25%  |

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
- (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
- (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date[, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.]

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
  - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

## APPENDIX

### Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Category” means a category set forth in the table in Section IV of Schedule 4 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
4. “Environmental Assessment Management Framework” or “EAMF” means the Environmental Assessment Management Framework adopted by the Borrower and submitted to the Bank on November 11, 2008 and consisting of the set of mitigation, monitoring, and institutional measures and procedures required under the Project, including Sub-projects under Components A and C of the Project, in order to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, as well as actions needed to implement said measures.
5. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008).
6. “Grant Agreement” means a grant agreement between a Participating Municipality and the Borrower represented by its Ministry of Finance for provision of a Performance-based Investment Grant under Part C of the Project executed in accordance with the requirements of Part D of Section I of Schedule 2 to this Agreement and a model Grant Agreement satisfactory to the Bank.
7. “Land Acquisition and Resettlement Policy Framework” or LARPF” means the Land Acquisition and Resettlement Policy Framework adopted by the Borrower and submitted to the Bank on November 11, 2008, which establishes the potential resettlement and compensation principles and procedures, organizational arrangements and design criteria to be applied to the Project implementation in compliance with the laws of the Borrower and the Bank’s safeguards policy on land acquisition and involuntary resettlement.
8. “Operating Costs” means incremental operating costs incurred by the PMU on account of Project implementation, management and monitoring, including

dissemination of Project related information and publications, office rent and utilities, insurance, maintenance and repair of office and equipment, insurance, maintenance and repair of vehicles, local travel, communication, translation and interpretation, bank charges, and other miscellaneous costs directly associated with the Project, all based on periodic budgets acceptable to the Bank.

9. “Participating Municipalities” means municipalities of the Borrower selected to receive financing under the Project in accordance with the procedures and criteria set forth in the Project Operational Manual.
10. “Performance-based Investment Grant” or “Grant” means a grant provided or proposed to be provided by the Borrower to a Participating Municipality under Component C of the Project.
11. “Project Coordination Committee” or “PCC” means the inter-ministerial committee established by the Borrower for overall Project coordination and supervision and referred to in paragraph 1 of Part A of Section I of Schedule 2 to this Agreement.
12. “Project Management Unit” or “PMU” means the project management unit established by the Borrower within its Ministry of Finance for day-to-day Project management, coordination, monitoring and evaluation and referred to in paragraph 2 of Part A of Section I of Schedule 2 to this Agreement.
13. “Project Operational Manual” or “POM” means the operational manual adopted by the Borrower pursuant to Section 4.01 of this Agreement and setting forth the operational requirements, criteria, institutional arrangements and operational procedures for the implementation of the Project, including, *inter alia*, procurement, financial management, disbursement, accounting, audit, environmental and social safeguards requirements, monitoring and evaluation arrangements, Sub-projects selection criteria, Sub-loans and Grants terms and conditions and processing procedures.
14. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
15. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated February 11, 2009 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

16. “Sub-loan” means a subsidiary loan provided or proposed to be provided by the Borrower to a Participating Municipality to finance a Sub-project under Component A of the Project.
17. “Sub-loan Agreement” means a sub-loan agreement between a Participating Municipality and the Borrower represented by its Ministry of Finance for provision of a Sub-loan under Part A of the Project executed in accordance with the requirements of Part D of Section I of Schedule 2 to this Agreement and a model Sub-loan Agreement satisfactory to the Bank.
18. “Sub-project” means an investment project in the area of water and sanitation services, solid waste management or other revenue-generating or cost saving investments in communal services selected for financing under Component A or Component C of the Project in accordance with the criteria and procedures set forth in the Project Operational Manual.
19. “Training” means Project related study tours, training courses, seminars, workshops and other training activities, not included under goods or service providers’ contracts, 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.