

CONFORMED COPY

CREDIT NUMBER 3585 MK

Development Credit Agreement

(Emergency Economic Recovery Credit)

between

FORMER YUGOSLAV REPUBLIC OF MACEDONIA  
(The Borrower)

and

INTERNATIONAL DEVELOPMENT ASSOCIATION  
(The Association)

Dated December 18, 2001

CREDIT NUMBER 3585 MK

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 18, 2001, between the Borrower and the Association.

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

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit 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 Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the

Board of Governors of the Association, adopted on April 8, 1999; and 'Participating Countries' means, collectively, all such countries." ; and

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Deposit Account" means the account referred to in Section 2.02 (a) of this Agreement;

(b) " Project Implementation Agreement" means the agreement referred to in Section 3.03 (a) of this Agreement;

(c) "MOF" means the Ministry of Finance of the Borrower; and

(d) "National Bank" means the Borrower's central bank.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to eleven million six hundred thousand Special Drawing Rights (SDR 11,600,000).

Section 2.02. (a) The Borrower shall open, prior to furnishing to the Association the first request for withdrawal from the Credit Account, and thereafter maintain in its National Bank, a deposit account on terms and conditions satisfactory to the Association. All withdrawals from the Credit Account shall be deposited by the Association into the Deposit Account.

(b) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made in respect of the reasonable cost of goods required for the Project and to be financed out of the proceeds of the Credit.

Section 2.03. The Closing Date shall be December 31, 2002 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the

rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on May 15 and November 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 15 and November 15 commencing May 15, 2012, and ending November 15, 2021. Each installment shall be five percent (5%) of such principal amount.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with the assistance of the National Bank pursuant to the provisions of the Project Implementation Agreement with due diligence and efficiency and in conformity with appropriate financial, technical, administrative and environmental practices, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. (a) Without limitation upon the provisions of Section 3.01 of this Agreement and for the purpose of carrying out the Project, the Borrower, represented by MOF, shall enter into an agreement (the Project Implementation Agreement) with the National Bank under terms and conditions satisfactory to the Association.

(b) The Borrower shall exercise its rights under the Project Implementation Agreement in such a manner as to protect the interests of the Borrower and the Association, and to accomplish the purposes of the Credit and, except as the Association shall otherwise agree, the Borrower shall not amend, assign, abrogate, terminate, waive or fail to enforce the Project Implementation Agreement or any provision thereof.

Section 3.04. The Borrower shall:

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

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about March 31, 2002, 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 Association, by April 30, 2002, or such later date as the Association 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 Association's views on the matter.

Section 3.05. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association 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 Association, a plan designed to ensure the continued achievement of the Project's objectives; and

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

Section 3.06. With respect to the goods under any category of eligible imports listed in paragraph 2 of Schedule 4 to this Agreement, the Borrower shall not use or permit to be used any such goods for military purposes.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall or shall cause the National Bank to:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section audited in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than four (4) months after the date of the last disbursement, referred to in paragraph (a) of this Section as so audited, and (B) an opinion on report of such audit, by detail as the Association (A) certified copies of the financial statements paragraph (a) of this Section as so audited, such statements, records and accounts and said auditors, of such scope and in such shall have reasonably requested; and

(iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

(a) (i) maintain or cause to be maintained, in accordance with paragraph of this Section, records and separate accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### ARTICLE V

##### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely, that the National Bank shall have failed to perform any of its obligations under the Project Implementation Agreement.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01

(b) of the General Conditions, namely, that the Project Implementation Agreement has been executed on behalf of the Borrower and the National Bank.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Project Implementation Agreement has been duly authorized or ratified by the Borrower and the National Bank and is legally binding upon the Borrower and the National Bank in accordance with its terms.

Section 6.03. 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 VII

##### Representative of the Borrower; Addresses

Section 7.01. 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 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Minister of Finance  
Dame Gruev 14  
1000 Skopje

Telex:

51119

Facsimile:

(389-2) 117280

For the Association:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

INDEVAS  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

Facsimile:

(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 District of Columbia, United States of America, as of the day and year first above written.

THE BORROWER

By /s/ Nikola Dimitrov

Authorized Representative

THE ASSOCIATION

By /s/ Christiaan J. Poortman

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (to be Expressed in SDR Equivalent)	% of Expenditures to be Financed
Eligible imports required for the Project as specified in Schedule 4 to this Agreement	11,600,000	100% of foreign expenditures
TOTAL	11,600,000	

2. For the purposes of this Schedule the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods supplied from the territory of any country other than that of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for:

(a) expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 2,320,000 may be made on account of payments made for expenditures before that date but after September 1, 2001;

(b) expenditures for goods procured under contracts costing less than \$20,000 equivalent;

(c) expenditures for goods supplied under a contract which any national or international financing institution or agency other than the Association shall have financed or agreed to finance or which the Association has financed or agreed to finance under another credit;

(d) expenditures in excess of an aggregate amount equivalent to 50% of the amount of the Credit for any category of eligible imports specified in Schedule 4 without prior approval by the Association; and

(e) expenditures for used or luxury goods.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under: (a) contracts for goods procured by the private sector costing less than \$3,000,000 equivalent; and (b) commonly traded commodities such as seeds, fertilizers, petroleum and fuel products, procured under Part C of Schedule 3 to this Agreement, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower to restore assets and economic and social activities after civil disturbances that occurred during the year of 2001.

The Project consists of the financing of critical imports as specified in Schedule 4 to this Agreement, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objective.

\* \* \*

The Project is expected to be completed by June 30, 2002.

SCHEDULE 3

## Procurement of Goods

### Part A: General

1. Goods shall be procured in accordance with (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Guidelines) and the provisions of the following Parts of this Schedule.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

### Part B: International Competitive Bidding

Except as otherwise provided in Part C of this Schedule, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto. Given the nature of the Credit, paragraphs 2.63 and 2.64 of the Guidelines shall specifically apply.

### Part C: Other Procurement Procedures

1. Except as otherwise provided in paragraph 2 of this Part, commonly traded commodities shall be procured through organized international commodity markets or other channels of competitive procurement acceptable to the Association, in accordance with the provisions of paragraph 2.65 of the Guidelines.

2. Commonly traded commodities, estimated to cost less than \$5,000,000 equivalent per contract, and goods imported by the private sector estimated to cost less than \$3,000,000 equivalent per contract, may be procured in accordance with established commercial practices satisfactory to the Association, in accordance with the provisions of paragraph 3.12 of the Guidelines.

### Part D: Review by the Association of Procurement Decisions

#### 1. Prior Review

With respect to each contract for goods to be procured under Part B of this Schedule, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

#### 2. Post Review

With respect to each contract not governed by paragraph 1 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

## SCHEDULE 4

### List of Eligible Imports to be Financed Under the Credit

1. Construction materials
  2. Water and land transport vehicles
  3. Seeds
  4. Fertilizer
  5. Agriculture equipment, spare parts and inputs
  6. Medical supplies and equipment
  7. Petroleum, fuel products and coal
  8. Construction equipment and industrial machinery
  9. Spare parts, raw materials and intermediate goods for industry and services
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