

CONFORMED COPY

CREDIT NUMBER 2680 ALB

Project Agreement

(Rural Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

ALBANIAN DEVELOPMENT FUND

Dated February 21, 1995

CREDIT NUMBER 2680 ALB

PROJECT AGREEMENT

AGREEMENT, dated February 21, 1995, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and ALBANIAN DEVELOPMENT FUND (ADF).

WHEREAS (A) by the Development Credit Agreement of even date herewith between Albania (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to four million one hundred thousand Special Drawing Rights (SDR4,100,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that ADF agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a subsidiary agreement to be entered into between the Borrower and ADF, the proceeds of the credit provided for under the Development Credit Agreement will be made available to ADF on the terms and conditions set forth in said Subsidiary Agreement; and

WHEREAS ADF, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) ADF declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and technical practices, and shall provide, or cause to be provided, 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 Association and ADF shall otherwise agree, ADF shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. Without limitation upon the provisions of Article IX of the General Conditions, ADF shall:

(a) prepare 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 ADF and the Association, a plan of such scope and in such detail as the Association shall reasonably request, for the future operation of the Project;

(b) afford the Association a reasonable opportunity to exchange views with ADF on said plan; and

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

Section 2.04. ADF shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

Section 2.05. ADF shall duly perform all its obligations under the Subsidiary Agreement. Except as the Association shall otherwise agree, ADF shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Agreement or any provision thereof.

Section 2.06. (a) ADF shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement and under the Subsidiary Agreement, and other matters relating to the purposes of the Credit.

(b) ADF shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by ADF of its obligations under this Agreement and under the Subsidiary Agreement.

ARTICLE III

Management and Operations of ADF

Section 3.01. ADF shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and technical practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. ADF shall at all times operate and maintain its equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound technical and financial practices.

Section 3.03. ADF shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) ADF shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) ADF shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles 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 six months after the end of each such year: (A) certified copies of its financial statements for such year as so audited; and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

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

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of ADF thereunder shall terminate on the earlier of the following two dates:

(i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or

(ii) the date twenty years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify ADF of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

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 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

For ADF:

Albanian Development Fund
Rruga Durrësit
Instituti i Tokave
Tirana, Albania

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of ADF, or by ADF on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by the Executive Director of ADF or such other person or persons as the Executive Director of ADF shall designate in writing, and ADF shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Kemal Dervis

Acting Regional Vice President
Europe and Central Asia

ALBANIAN DEVELOPMENT FUND

By /s/ Lublin Dilja

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: Procurement Procedures

1. Civil works, up to an aggregate amount not to exceed \$2,300,000 equivalent, may be procured under direct contracting in accordance with procedures acceptable to the Association.

2. Items or groups of items for goods estimated to cost the equivalent of \$60,000 or less per contract, up to an aggregate amount equivalent to \$155,000, may be procured under contracts awarded on the basis of comparison of price quotations

obtained from at least three suppliers from at least three different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Items or groups of items for goods estimated to cost the equivalent of \$20,000 or less per contract, up to an aggregate amount equivalent to \$30,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

4. Goods of a proprietary nature, such as books, technical journals, training materials and computer software, up to an aggregate amount not to exceed the equivalent of \$15,000, may be purchased from suppliers on the basis of negotiated contracts pursuant to procedures acceptable to the Association.

5. Items or groups of items required for Part A of the Project, in the aggregate of \$2,620,000, shall be procured by the Beneficiaries in accordance with procedures acceptable to the Association.

Part B: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract: (i) for goods estimated to cost the equivalent of \$40,000 or more; and (ii) goods procured under Part A.4 of this Schedule, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to the Development Credit Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. In order to assist ADF in carrying out the Project, ADF shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, ADF shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, ADF shall use other standard forms agreed with the Association.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$50,000 equivalent each. However, this exception to prior Association review shall not apply to the terms of reference for such contracts or to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Association or to amendments of contracts raising the contract value to \$50,000 equivalent or above.

SCHEDULE 2

Implementation Program

The provisions of this Schedule shall apply for the purposes of Section 2.01 (b) of this Agreement.

1. Under Part A of the Project, ADF shall make available to the village credit committees the funds referred to in the Regulation and Operational Guidelines through village credit funds to be on-lent to the Beneficiaries by agreements to be entered into between the village credit committees and each Beneficiary, under the terms and conditions referred to in the Regulations and Operational Guidelines and which shall have been approved by the Association.

2. Under Part B of the Project, ADF shall:

(a) make available to the Beneficiaries grants referred to in the Regulations and Operational Guidelines under agreements to be entered into between ADF and each Beneficiary, under the terms and conditions referred to in the Regulations and Operational Guidelines and which shall have been approved by the Association; and

(b) exercise its rights under such agreements in such manner as to protect the interests of the Association and ADF and to accomplish the purposes of the Project, and shall not assign, amend, abrogate or waive any of such agreements, or any provisions thereof.

3. ADF shall:

(a) coordinate and monitor the overall execution of the Project and supervise the carrying out by the Beneficiaries of their obligations pursuant to their respective agreements in accordance with policies and procedures satisfactory to the Association;

(b) take all measures to ensure that the amount of any loan made under Part A of the Project shall not exceed the equivalent of \$2,000;

(c) not later than November 30 of each year, prepare and furnish to the Association for review and comment, work plans and budgets for activities under each Part of the Project for the next calendar year, which would include, among other things, specific proposals for the use of Borrower's contribution;

(d) by March 31, June 30, September 30 and December 31 of each year, prepare and furnish to the Association for review a report, of such scope and detail as the Association shall reasonably request, on the progress of and the execution of the Project; and

(e) carry out a mid-term review not later than August 31, 1996 evaluating the progress of the Project.

