

CONFORMED COPY

CREDIT NUMBER 2534 ALB

Development Credit Agreement

(Housing Project)

between

ALBANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 16, 1993

CREDIT NUMBER 2534 ALB

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 16, 1993, between REPUBLIC OF ALBANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (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;

(B) Parts A and B.2 of the Project will be carried out by National Housing Agency (NHA) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to NHA the proceeds of the Credit as provided in this Agreement; and

(C) the Borrower has contracted from other sources of finance grants to assist in financing Part B of the Project on the terms and conditions set forth in agreements between the Borrower and such other sources and is in the process of arranging for further such financing; 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 and in the Project Agreement of even date herewith between the Association and NHA;

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, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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) "MOC" means the Ministry of Construction and Territorial Planning of the Borrower;

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

(c) "Subsidiary Loan" means the loan referred to in Section 3.01 (c) of this Agreement;

(d) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and NHA pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Subsidiary Loan Agreement;

(e) "NHA" means the National Housing Agency of the Borrower, a state enterprise organized and existing under the law of the Borrower on state enterprises Law No. 7582 of July 13, 1992, established by the Council of Ministers of the Borrower pursuant to Resolution No. 431 of December 10, 1992, as amended by Resolution No. 198 of May 4th 1993;

(f) "Project Agreement" means the agreement between the Association and National Housing Agency (NHA), of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(g) "Charter" means the legislation, regulations, charter, by-laws and other similar instruments adopted by NHA or the Borrower, or by any government agency having authority over NHA, under which the organization, purposes, functions, powers, and scope of operations of NHA are defined, as the same shall be amended from time to time;

(h) "Operational Policy Manual" means the manual or other statement of operational policies and procedures of NHA described or referred to in paragraph 2 of Schedule 2 of the Project Agreement, which is required to be adopted by NHA pursuant to Section 6.01 (c) of this Agreement;

(i) "Sub-project" means a specific investment project undertaken or proposed to be undertaken by NHA utilizing the proceeds of the Subsidiary Loan, which involves the completion of construction and finishing of multi-family apartment buildings or housing complexes selected by NHA from among the Unfinished Housing Inventory, together with adoption and implementation of offering plans providing for sale of dwelling units within such buildings or complexes to private households under condominium arrangements, as described in the Condominium Property Law and Schedule 2 to the Project Agreement;

(j) "Unfinished Housing Inventory" means the stock of assets described in Decree No. 46 of the Council of Ministers of the Borrower of January 29, 1993, whose disposition may from time to time be subject to an authority conferred on NHA pursuant thereto or pursuant to any other legislation, to select and develop as public housing projects, including for purposes of inclusion in the Sub-projects in accordance with paragraph A.1 of Schedule 2 to the Project Agreement;

(k) "Housing Privatization Act" means Law No. 7652 of the Borrower of December 23, 1992, together with any implementing legislation and administrative regulations issued by any public agency which shall be necessary for the implementation of such law;

(l) "Condominium Property Law" means Law No. 7688 of the Borrower of March 17, 1993, together with any implementing legislation and administrative regulations adopted by any public agency which shall be necessary for the implementation of such

law;

(m) "Property Transfer Arrangements" means the contractual, administrative or other arrangements, to be concluded between the Borrower and NHA pursuant to Section 3.01 (c) (ii) of this Agreement, providing for the timely transfer by the Borrower, upon registration of the foundation deed for any condominium established in respect of any Sub-project, of the buildings, land and infrastructure constituting the Ancillary Property Contribution for such Sub-project, following the procedures provided for under the Condominium Property Law, the Charter, the Subsidiary Loan Agreement, and any other legislation or administrative regulation which shall be necessary for the implementation of the Project; and

(n) "Ancillary Property Contribution" means the property required to be contributed by the Borrower in execution of the Project pursuant to Section 3.01 (a) (ii) of this Agreement and Section 9.08 of the General Conditions, and consisting, for any Sub-project, of the buildings, land and infrastructure which are associated with or relate to the Unfinished Housing Inventory and which may be necessary to: (i) establish defined condominium property in respect of such Sub-project; (ii) register the foundation deed for a condominium relating to such property; and (iii) convey clear title to such property to purchasers under such terms and conditions as shall be provided.

## 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 ten million six hundred thousand Special Drawing Rights (SDR 10,600,000).

Section 2.02. (a) 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 (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in a bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1998 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 cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or 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 payment 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 February 15 and August 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each February 15 and August 15 commencing August 15, 2003 and ending February 15, 2033. Each installment to and including the installment payable on February 15, 2013 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

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.

Section 2.09. NHA is designated as representative of the Borrower in respect of Part A of the Project for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end:

- (i) shall carry out Part B.1 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, economic, and urban development practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Part of the Project; and
- (ii) without limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause NHA to perform all its obligations set forth in the Project Agreement, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable NHA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall relend the proceeds of the Credit to NHA under a subsidiary loan (the Subsidiary Loan) under terms and conditions acceptable to the Association, which shall be set forth in an agreement between the Borrower and NHA (the Subsidiary Loan Agreement). Among the terms and conditions to be set forth shall be those pertaining to the utilization of such proceeds by NHA to accomplish the purposes of the Credit in respect of Part A of the Project, including, in particular:

- (i) a requirement that NHA utilize the proceeds of the Subsidiary Loan exclusively for expenditures incurred under Sub-projects;
- (ii) a description of contractual, administrative or other arrangements adequately specifying the manner of exercise by NHA, as and when

needed in order to facilitate the establishment of a condominium in respect of any Sub-project, of any power conferred by the Borrower to transfer to purchasers of condominium units. Rights in respect of any buildings, land and infrastructure constituting the Ancillary Property Contribution for such Sub-project (the Property Transfer Arrangements); and

(iii) a uniform procedure for the valuation of the Ancillary Property Contribution upon transfer of such property to a condominium association, for purposes of facilitating the consistent application by NHA of sound cost estimation principles in connection with the establishment and implementation of a uniform pricing policy.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement and in respect of the Property Transfer Arrangements in such 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 assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

Section 3.02. The Borrower and the Association hereby agree that 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 Parts A and B.2 of the Project shall be carried out by NHA pursuant to Section 2.03 of the Project Agreement.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Part B.1 of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account 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 copy of 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 the audit thereof as the Association shall 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:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and 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 or payment out of the Special 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 annual 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 (h) of the General Conditions, the following additional events are specified:

(a) NHA shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that NHA will be able to perform its obligations under the Project Agreement.

(c) The Charter shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of NHA to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of NHA or for the suspension of its operations.

(e) The Housing Privatization Act or the Condominium Property Law shall have been amended, suspended, abrogated, repealed or waived, or any other legislation shall have come into effect in the territory of the Borrower, so as to affect materially and adversely, in the opinion of the Association, the carrying out of the Project.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower; and

(b) any event specified in paragraph (c), (d), or (e) of Section 5.01 of this Agreement shall occur.

## ARTICLE VI

### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) The Subsidiary Loan Agreement has been executed on behalf of the Borrower and NHA; and

(b) The Operational Policy Manual has been duly adopted by NHA.

Section 6.02. The following are specified as additional matters, 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:

(a) that the Project Agreement has been duly authorized or ratified by NHA, and is legally binding upon NHA in accordance with its terms;

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and NHA and is legally binding upon the Borrower and NHA in accordance with its terms; and

(c) that standard forms of agreement relating to terms and conditions for the construction of Sub-projects; sale of a dwelling pursuant to a condominium offering

plan; and financing of purchases of condominium units as proposed in conjunction with the Operational Policy Manual, are valid under the law of the Borrower and are capable of being enforced in accordance with their 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.

Section 6.04. The obligations of the Borrower under Section 4.01 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date 28 years after the date of this Agreement, whichever shall be the earlier.

#### ARTICLE VII

##### Representatives of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Minister of Finance and Economy 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:

Ministry of Finance and Economy  
Bulevardi "Deshmoret e Kombit"  
Tirana  
Albania

Telex:

4295 Komplan AB

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)

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.

ALBANIA

By /s/ Roland Bimo

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Kemal Dervis

Acting Regional Vice President  
Europe and Central Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Works under Subprojects	10,000,000	75%
(2) Unallocated	600,000	
TOTAL	10,600,000	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; and (b) payments made for expenditures under any Sub-project unless such Sub-project shall have been duly selected and appraised in accordance with the criteria referred to in Schedule 2 to the Project Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to assist the Borrower in the development of an efficient, market-based housing construction and finance system; (ii) to help alleviate the shortage of housing in urban areas by completing unfinished public housing projects; and (iii) to encourage the participation of private sector firms which will be able to strengthen their capacity to respond to anticipated long-term demands for housing in the territory of the Borrower.

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

Part A:

Carrying out Sub-projects in selected urban areas, consisting of: (i) the completion of construction and finishing of identified unfinished public housing projects, together with (ii) the provision of the finished dwelling units within the completed housing projects to eligible purchasers pursuant to plans providing for transfer of ownership and management of such dwelling units under condominium arrangements.

Part B:

Carrying out of a program to upgrade institutional capabilities in order to facilitate the efficient development, financing and management of the housing sector, including the provision of technical assistance, staff training and office equipment to assist:

1. MOC in: undertaking reform of housing finance and regulation of urban development; monitoring of recent economic trends in the housing sector; carrying out privatization; developing the regulatory framework applicable to urban housing development; assisting local authorities in the formulation and implementation of land use and municipal regulations for housing development; and mobilization of private resources for housing;

2. NHA in the review and design of legal and regulatory instruments to be utilized for Part A of the Project.



\* \* \*

The Project is expected to be completed by December 31, 1997.

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Category" means Category (1) as set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures 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 Credit allocated from time to time to the eligible Category in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,500,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, 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 Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit 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.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Category, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Category, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the

Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Category shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association 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.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

