

CONFORMED COPY

CREDIT NUMBER 4459 AL

Project Agreement

(Secondary and Local Roads Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

ALBANIAN DEVELOPMENT FUND

Dated July 2, 2008

PROJECT AGREEMENT

Agreement dated July 2, 2008, entered into between the INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and the ALBANIAN DEVELOPMENT FUND (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between ALBANIA (“Recipient”) and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing 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 Financing Agreement or the General Conditions.

ARTICLE II - PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III - TERMINATION

- 3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE IV - REPRESENTATIVE; ADDRESSES

- 4.01. The Project Implementing Entity’s Representative is the Director.

4.02. The Association's Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423(MCI)	(1-202)-477-6391

4.03. The Project Implementing Entity's Address is:

Albanian Development Fund
Rr. "Sami Frashëri", Nr. 10
Tirana
Albania

Facsimile:
(355)-42-2234885

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Camille Nuamah
Authorized Representative

ALBANIAN DEVELOPMENT FUND

By: /s/ Benet Beci
Authorized Representative

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Subsidiary Agreement

The Project Implementing Entity shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Credit. Except as the Association shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

B. Anti-Corruption

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

C. Sub-projects

1. Criteria for Selection of Roads

In order to maximize the benefits to be accomplished from the Project, the Project Implementing Entity shall ensure that the following procedure is followed for the selection of the Sub-projects proposed for rehabilitation and/or construction under Part 1 and 2 of the Project:

(a) LGUs shall identify potential Sub-projects for submission on the basis of the following criteria: (i) the road must have substantial development potential (agricultural potential, production, tourism); (ii) the road must have substantial current or potential use; (iii) the existence of a significant number of beneficiaries (population, poverty); and (iv) there must be no significant negative impact on the environment or the population living in the hinterland of the road; and

(b) the Sub-projects so identified shall be the highest priority ones to be submitted to the Project Implementing Entity for further prioritization and selection, and taking into account the viability of the proposed Sub-project using the Bank's Roads Economic Decision Model or, where appropriate, the Highway Development and Management Model.

2. Additional Eligibility for Roads Located in Certain Geographical Areas

The Project Implementing Entity shall take all measures necessary to ensure that no Sub-project proposal relates to, and no proceeds of the Credit are used to finance, a Sub-Project located:

(a) in the area covered by the Southern Coastal Development Plan, until and unless such Plan has been formally approved by the Territory Adjustment Council; and

(b) in the coastal area on the remainder of the Albanian coast, until and unless a development plan has been approved by, or has been submitted to the approval of, the Territory Adjustment Council.

3. Safeguard Compliance Mechanism

The Project Implementing Entity shall screen Sub-projects to ensure their consistency with the principles and requirements set forth in the Resettlement Policy Framework and the Environmental Safeguard Framework, and the satisfaction of any and all applicable requirements for the preparation, disclosure and implementation of a site-specific EIA, EMP and/or RAP before the submission of any withdrawal request in respect of any Sub-project necessitating the respective EIA, EMP and/or RAP.

4. Procedures for and Terms and Conditions for Sub-projects

Each Sub-project shall be carried out by a contractor which, on the basis of guidelines acceptable to the Association, shall have established to the satisfaction of the Project Implementing Entity that: (i) is creditworthy and profitable; (ii) has a sound financial structure; and (iii) has organization, management, staff and other resources required for the efficient carrying out of its operations, including the carrying out of the Sub-project.

Each Sub-project shall be carried out under arrangements whereby the Project Implementing Entity shall obtain, by written contract with the contractor or by other appropriate legal means, rights adequate to protect the interests of the Recipient and the Association, including the right to:

(a) suspend or terminate the right of the contractor to use the proceeds of the Credit or obtain a refund of all or any part of the amount of the Credit then withdrawn, upon the contractor's failure to perform any of its obligations towards the Project Implementing Entity; and

(b) require each contractor to: (A) carry out the Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental, road and social standards and practices satisfactory to the Association, including in accordance with the provisions of the EIA, the EMP and the

RAP, as the case may be, and the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient; (B) provide, promptly as needed, the resources required for the purpose; (C) procure the goods, works, services (other than consultants' services) and consultants' services to be financed out of the Credit in accordance with the provisions of this Agreement; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, 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 Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and (2) at the Recipient's or the Association's or the Project Implementing Entity's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient, the Association and the Project Implementing Entity; (F) enable the Recipient, the Association and the Project Implementing Entity to inspect the Sub-project, its operation and any relevant records and documents; and (G) prepare and furnish to the Recipient, the Association and the Project Implementing Entity all such information as the Recipient or the Association or the Project Implementing Entity shall reasonably request relating to the foregoing.

5. Contractual Arrangements: the Operations and Maintenance Agreement and the Investment Agreement

Upon the approval of each Sub-project but before the notification of any bidding opportunity, the Project Implementing Entity shall conclude:

(a) at the time the IA is signed, an Operations and Maintenance Agreement (OMA) with each LGU setting forth a commitment by the LGU to a multi-annual maintenance agreement between the Project Implementing Entity and the LGU and stating: (i) general principles for maintenance on the defined road; (ii) confirmation that the costs of the required multi-annual maintenance contract shall be included in the LGU budget for the next five years; and (iii) a draft contract for a private contractor to undertake the maintenance for the next five (5) years; and

(b) an Investment Agreement with the General Road Directorate or a LGU, as the case may be, setting forth: (i) the obligations of each party in the implementation of the Sub-project; (ii) the maintenance commitments of each party upon the completion of the Sub-project pursuant to the provisions of the OMA; and (iii) the respective obligations to carry out the related EIA, EMP and RAP, as the case may be and where applicable.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the Monitoring and Evaluation Indicators. Each such Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

2. The Project Implementing Entity shall provide to the Recipient, not later than four (4) months after the Closing Date for incorporation in the report referred to in Section 4.08 (c) of the General Conditions, all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Mid-Term Review

The Project Implementing Entity shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Monitoring and Evaluation Indicators, 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 not later than October 31, 2010, 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, on or about November 30, 2010, 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.

C. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.

2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one Fiscal Year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association not later than six (6) months after the end of the period.

Section III. Procurement

All goods, works, services (other than consultants' services) and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.