

CONFORMED COPY

CREDIT NUMBER 2534 ALB

Project Agreement

(Housing Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

NATIONAL HOUSING AGENCY

Dated July 16, 1993

CREDIT NUMBER 2534 ALB

PROJECT AGREEMENT

AGREEMENT, dated July 16, 1993, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and NATIONAL HOUSING AGENCY (NHA).

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 ten million six hundred thousand Special Drawing Rights (SDR 10,600,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that NHA agree to undertake such obligations toward the Association as are set forth in this Agreement;

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

(C) by loan agreements entered into by NHA with the National Bank of Albania (the National Bank Loan Agreement) and the Savings Bank of Albania (the Savings Bank Loan Agreement) dated February 9th, 1993 and December 5th, 1992, respectively, NHA has obtained long-term debt financing (the State Debts) to assist in funding its operations, on terms and conditions set forth in the National Bank Loan Agreement and the Savings Bank Loan Agreement;

WHEREAS NHA, 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; Management and Operations of NHA

Section 2.01. (a) NHA 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 Parts A and B.2 of the Project and conduct its operations and affairs in accordance with sound administrative, financial, engineering, housing industry and environmental protection practices, with qualified and experienced management and in accordance with its Charter and Operational Policy Manual, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Parts A and B.2 of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and NHA shall otherwise agree, NHA shall carry out Part A of the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. (a) NHA undertakes that, unless the Association shall otherwise agree, Sub-projects will be selected in accordance with the procedures and on the terms and conditions set forth or referred to in Annex I to Schedule 2 to this Agreement.

(b) NHA shall exercise its rights in relation to each Sub-project in such manner as to: (i) protect the interests of the Association and of NHA; (ii) comply with its obligations under this Agreement and the Subsidiary Loan Agreement; and (iii) achieve the purposes of the Project.

Section 2.03. Except as the Association shall otherwise agree, procurement of the works required for the Sub-projects and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.04. NHA 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 and Parts A and B.2 of the Project.

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

Section 2.06. (a) NHA shall, at the request of the Association, exchange views with the Association with regard to the progress of Parts A and B.2 of the Project, the performance of its obligations under this Agreement and under the Subsidiary Loan Agreement, and other matters relating to the purposes of the Credit.

(b) NHA shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of Parts A and B.2 of the Project, the accomplishment of the purposes of the Credit, or the performance by NHA of its obligations under this Agreement and under the Subsidiary Loan Agreement.

Section 2.07. If any public resources shall be made available to NHA for the purpose of financing activities in the area of housing sector development in the

territory of the Borrower, under any program or facility other than that defined by the scope of the Project, NHA shall take care to ensure the carrying out of such program or facility under terms and conditions compatible with the financial and operational policies herein established for the Project, including with respect to the Terms and Conditions of Sale of Condominium Units set forth in Annex II to Schedule 2 to this Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) NHA shall maintain procedures and records adequate to monitor and record the progress of Parts A and B.2 of the Project and of each Sub-project (including its cost and the benefits to be derived from it) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of NHA.

(b) NHA 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, including internal audits which shall consist of a financial assessment and a physical inspection of works in the field on a sample basis.

Section 3.02. (a) Except as the Association shall otherwise agree, NHA shall maintain, through appropriate pricing and other policies, a level of income and other resources adequate to meet when due all debt repayment obligations in respect of the State Debts and any other debt contracted from public sources, in accordance with the terms and conditions of the National Bank Loan Agreement, the Savings Bank Loan Agreement, the Subsidiary Loan Agreement and any other agreement which may be entered into between NHA and any public authority providing for any such debt.

(b) For purposes of this Section:

- (i) the term "debt" means any indebtedness of NHA maturing by its terms more than one year after the date on which it is originally incurred.
- (ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment, on the date, and to the extent, the amount of such debt has become outstanding pursuant to such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into but only to the extent that the guaranteed debt is outstanding.

ARTICLE IV

Effective Date; Termination; Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of NHA 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-eight 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 NHA of this event.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE V

Miscellaneous Provisions

Section 5.01. 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 NHA:

Enti Kombetar i Banesave
Ministria e Noertimit, Strehimit Dhe
Rregullimite te territorit
Tirane, Albania

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of NHA, or by NHA on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by the Director-General of NHA, or such other person or persons as the Director-General shall designate in writing, and NHA shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. 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

NATIONAL HOUSING AGENCY

By /s/ Roland Bimo

Authorized Representative

SCHEDULE 1

Procurement

Part A: Procurement Procedures

Except as provided in Part B hereof, works, goods and services shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures acceptable to the Association.

Part B: Other Procurement Procedures

1. Works, goods and services estimated to cost the equivalent of \$250,000 or less per contract may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers, in accordance with procedures acceptable to the Association.
2. Works estimated to cost the equivalent of \$25,000 or less per contract and in an aggregate of \$2,000,000, may be procured under contracts awarded after direct negotiations with contractors at reasonable competitive prices in accordance with procedures acceptable to the Association.

Part C: Review by the Association of Procurement Decisions

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

(a) With respect to the first three contracts under local shopping procedures set forth in Part B hereof, as well as each contract estimated to cost the equivalent of \$600,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (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 3 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.

SCHEDULE 2

Implementation Program

1. Selection and Appraisal of Sub-projects

In carrying out Part A of the Project, NHA shall:

(a) select from among the Unfinished Housing Inventory those assets eligible to be included in Sub-projects, using criteria acceptable to the Association including, inter alia, the Eligibility Criteria for Sub-projects set forth in Annex I to this Schedule; and

(b) appraise Sub-projects following procedures set forth in the Operational Policy Manual.

2. Operational Policies and Procedures of NHA

(a) The policies and procedures applied by NHA in its operations shall be embodied in a manual (the Operational Policy Manual), which shall be approved by the Board of Directors of NHA and updated as necessary to reflect changes in the operational requirements relating to the Project.

(b) The Operational Policy Manual shall contain a statement of the procedures to be followed and the eligibility criteria to be applied, acceptable to the Association, with respect to:

- (i) the establishment for each Sub-project of a defined condominium property under a foundation deed, including the exercise of any powers by the Borrower pursuant to the Property Transfer Arrangements with respect to the registration of such foundation deed; and
- (ii) the offering for sale of condominium units under terms and conditions acceptable to the Association including, inter alia, the terms and conditions for sale of condominium units set forth in Annex II to this Schedule.

3. Sales and Financing of Condominium Units

NHA shall carry out sales of condominium units to private households in accordance with the terms and conditions set forth in the Operational Policy Manual, using criteria acceptable to the Association to determine whether applicants for financing of such purchases would qualify for such financing.

ANNEX I

Eligibility Criteria for Sub-projects
under Part A of the Project

(a) The unfinished buildings and complexes shall be located in an area affording access to existing public services and community facilities.

(b) Individual construction contracts shall be for buildings or complexes containing no more than 48 dwelling units.

(c) The time estimated to be required for completion of construction contracts shall be no longer than 12 months.

(d) All applicable local zoning and building regulations shall be complied with, including by obtaining a valid building permit where applicable.

(e) Adequate standards for sanitation, water supply, energy conservation and environmental protection shall be maintained satisfactory to the Association.

(f) Buildings and complexes shall be limited to those in which:

- (i) all housing units are expected to be offered for sale, and are reasonably certain to be sold within a period of time after completion of construction not to exceed six months, to individual households;
- (ii) have no current occupants and are not pre-as-signed to any tenants or owners; and

(iii) assurances can be furnished in a form acceptable to the Association, that a free and clear title may be conveyed to the purchasers, including exemption from any claims of restitution.

(g) Designs shall be within a maximum net usable floor area per flat of 75 square meters, or 100 square meters of built-up area.

ANNEX II

Terms and Conditions of Sale of Condominium Units

1. Price

A uniform pricing policy would be established by NHA which ensures recovery of all incremental costs incurred in completing the units. The average Dollar price per square meter of net usable floor area would be established at the beginning of each semester, based on the cost experience of units completed during the previous semester.

2. Interest Rate Applicable to Financing of Purchase of Condominium Unit

At least 3 per cent per annum would be charged on the outstanding principal amount, expressed in Dollars.

3. Method of Calculating Payment Amount Due

Sale prices would be denominated in Dollars, with repayment in leks at prevailing rate of exchange, adjusted quarterly, except as agreed by the Association. A reasonable cap on increases per quarter would be set by NHA upon making loans to purchasers of dwelling units, based on prevailing market conditions and as agreed with the Association.

4. Closing Costs

Two percent of the loan amount, which may be capitalized.

