

CONFORMED COPY

CREDIT NUMBER 2461 ALB

Project Agreement

(Rural Poverty Alleviation Pilot Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

RURAL DEVELOPMENT FUND

Dated March 2, 1993

CREDIT NUMBER 2461 ALB

PROJECT AGREEMENT

AGREEMENT, dated March 2, 1993, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and RURAL DEVELOPMENT FUND (RDF).

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 one million eight hundred thousand Special Drawing Rights (SDR 1,800,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that RDF agree to undertake such obligations toward the Association as are set forth in this Agreement; and

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

WHEREAS RDF, 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, the Preamble to this 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) RDF 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, engineering and agricultural 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 RDF shall otherwise agree, RDF 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. RDF 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 2.04. RDF shall duly perform all its obligations under the Subsidiary Agreement. Except as the Association shall otherwise agree, RDF 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 2.05. (a) RDF 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) RDF 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 RDF of its obligations under this Agreement and under the Subsidiary Agreement.

ARTICLE III

Management and Operations of RDF

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

Section 3.02. RDF 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 engineering and financial practices.

Section 3.03. RDF 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) RDF shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) RDF 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 quarterly audits which shall consist of a financial assessment and a physical inspection of works in the field on a sample basis.

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 RDF 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 four (4) 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 RDF 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

Telex:

248423 (RCA)

Washington, D.C.

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

For RDF:

c/o Ministry of Agriculture and Food
Tirana
Albania

Telex:

4209 MIN. BUJQ.

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 RDF, or by RDF on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by the Executive Director of RDF or such other person or persons as the Executive Director of RDF shall designate in writing, and RDF 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

RURAL DEVELOPMENT FUND

By /s/ Roland Bimo

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 \$1,130,000 equivalent, may be procured under direct contracting in accordance with procedures acceptable to the Association.
2. Goods for Subsidiary Lending up to an aggregate amount not to exceed \$300,000 equivalent, may be procured under Schedule 2 paragraph 2 (b) of this Agreement.
3. Goods for RDF, up to an aggregate amount not to exceed \$350,000 equivalent, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from three eligible countries under the Guidelines, in accordance with procedures acceptable to the Association. Local shopping procedures may be utilized for minor equipment and supplies to be procured locally up to an aggregate amount not to exceed \$20,000.

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 estimated to cost the equivalent of \$40,000 or more, 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 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.

Section II. Employment of Consultants

1. In order to assist the Borrower in Parts C and D of the Project, the Borrower 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 Association 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).

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 nor to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Association and 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. RDF shall carry out the Sub-projects under Part A of the Project through the Requesting Entities, and, to this end, without limitation upon its other obligations under this Agreement, RDF shall:

(a) make available to the Requesting Entities the Sub-loans referred to in the Regulation and Operational Guidelines under Sub-project Agreements to be entered into between the RDF and each of the Requesting Entities, under the terms and conditions referred to in the Regulation and Operational Guidelines and which shall have been approved by the Association; and

(b) exercise its rights under the Sub-project Agreements in such manner as to protect the interests of the Association and RDF and to accomplish the purposes of the Credit, and shall not assign, amend, abrogate or waive any of the Sub-project Agreements, or any provisions thereof.

2. RDF shall carry out the Subsidiary Lending under Part B of the Project through the village credit committees, and, to this end, without limitation upon its other obligations under this Agreement, RDF shall:

(a) make available to the village credit committees the funds referred to in the Regulation and Operational Guidelines through village credit funds to be sub-lent to the Beneficiaries by Subsidiary Lending Agreements to be entered into between the village credit committees and each of the Beneficiaries, under the terms and conditions referred to in the Regulation and Operational Guidelines and which shall have been approved by the Association; and

(b) require that the goods and materials to be procured under the Subsidiary Lending Agreements shall be purchased at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor.

3. RDF shall:

(a) coordinate and monitor the overall execution of the Project and supervise the carrying out by the Requesting Entities and 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 aggregate amount of all Subsidiary Lendings, or the amount of any one Subsidiary Lending, made by the Requesting Entities or any one Requesting Entity, to any one Beneficiary shall not exceed the equivalent of \$1,000; and

(c) carry out a mid-term review not later than September 30, 1993 evaluating the progress of the Project.

