

CONFORMED COPY

CREDIT NUMBER 2404 ALB

(Critical Imports Project)

between

ALBANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 29, 1992

CREDIT NUMBER 2404 ALB

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 29, 1992, between 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) the Government of Switzerland (Switzerland) intends to grant to the Borrower an aggregate principal amount equivalent to SFr 4 million (the Swiss Grant) to assist in financing power equipment for Part B of the Project on certain terms and conditions consistent with the objectives of the Project; 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;

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) "DPE" means the Borrower's General Directorate of Power;
- (b) "MOA" means the Borrower's Ministry of Agriculture;
- (c) "MOFE" means the Borrower's Ministry of Finance and Economy;
- (d) "MOT" means the Borrower's Ministry of Transport and Communications;
- (e) "PIU" means the Project Implementation Unit established by the Borrower for implementation of this Project, which is required to be maintained by the Borrower under Section 3.03 of this Agreement; and
- (f) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to a letter dated April 1, 1992 (PPF Agreement Letter P739-O ALB) between the Borrower and the Association.

## 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 thirty million dollars Special Drawing Rights (SDR \$30,000,000).

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 described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to the Association the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1995 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, 2002, and ending February 15, 2032. Each installment to and including the installment payable on February 15, 2012 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.

#### 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, shall carry out the Project through its Ministry of Finance and Economy with due diligence and efficiency and in conformity with appropriate administrative and financial practices, and shall provide, promptly as needed, the funds, through, inter alia, adequate budgetary allocations, facilities, services, staff and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods 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 3 to this Agreement.

Section 3.03. To assist in carrying out the Project, the Borrower shall maintain the PIU under terms of reference and staffing acceptable to the Association.

Section 3.04. The Borrower shall ensure that the goods imported under the Project are being distributed to the intended end-users in a manner acceptable to the Association and, in particular, consistent with Plans of Distribution prepared by the PIU, which plans shall be agreed to by the Borrower with the Association for each program component prior to the commencement of bidding for the provision of any goods relating to such component; and shall also, where provided for by any such Plan of Distribution, make the same goods available to the end-users in accordance with terms and conditions acceptable to the Association.

#### 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 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 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 five 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 for the fiscal year in which the last withdrawal from the Credit 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 Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified, namely, that:

(a) the Swiss Grant shall have failed to become effective by December 31, 1992, or such later date as the Bank may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement; and

- (b) (i) subject to subparagraph (ii) of this paragraph: the right of the Borrower to withdraw the proceeds of the Swiss Grant for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or
- (ii) subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation or termination is not caused by the

failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified:

(a) the event specified in paragraph (b) (i) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) (ii) of that Section.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. 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.

#### ARTICLE VII

##### Representatives of the Borrower; Addresses

Section 7.01. MOFE 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/ Sokol Ne'aj

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Michael H. Wiehen

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) Goods and materials, including live-stock, for Parts A, B and C of the Project	21,900,000	100% of foreign expenditures
(2) Goods for Part D of the Project	2,555,000	100% of foreign expenditures
(3) Goods and services for Part E of the Project	730,000	100% of foreign expenditures on goods and services
(4) Refunding of Project Preparation Advance	200,730	Amount due pursuant to Section 2.02 (b) of this Agreement
(5) Consulting Services	530,000	100%
(6) Unallocated	4,084,270	
TOTAL	<u>30,000,000</u> =====	

2. For the purposes of this Schedule the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to help the Borrower maintain and increase capacity utilization and production in certain priority sectors of its economy.

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 objective:

Part A: Agricultural Sector

1. Crop Production Programs

Provision of urgently needed inputs for crop production in 1992/93, including seed, fertilizer, pesticides, plastic sheeting, sprayer equipment and related technical assistance.

2. Poultry/Egg Production Program

Provision of urgently needed inputs for poultry/egg production in 1992/93, including breeding stock and feed maize.

3. Mechanical Equipment Program

Provision of spare parts and supplies for agricultural mechanization.

4. Irrigation Program

Provision of spare parts and equipment for irrigation rehabilitation and related technical assistance.

Part B: Power Sector

1. Provision of materials and equipment for repairs of generating plants.

2. Provision of materials and equipment for rehabilitation of the transmission system.

3. Provision of materials and equipment for rehabilitation of distribution networks in Tirana, Shkoder and Durres.

4. Provision of equipment for improvement of the dispatching/monitoring system.

5. Provision of spare parts for major power generation plants, substations, transmission and distribution facilities.

Part C: Transport Sector

Provision of equipment and parts needed for implementation of the agricultural and power sector components (Parts A and B) of the Project, and also for facilitation of distribution of essential goods, including spare parts, batteries, tires, workshop equipment for the MOT's truck fleet; and provision of spare parts and equipment for the port of Durres and for the railway telecommunications system.

Part D: General Rehabilitation Component

Provision of urgently needed goods and equipment deemed essential for the maintenance of output and capacity utilization in priority sectors of the economy, as agreed between the Borrower and the Association.

Part E: General Administration Component

Provision of imports of office equipment for the Ministries and public entities involved in the administration of the Project: the PIU, DPE, MOFE, MOA, and MOT and related technical assistance.

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The Project is expected to be completed by June 30, 1995.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

1. Except as provided in Part B hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Other Procurement Procedures

1. Goods which the Association agrees are available through limited sources of supply may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids obtained from at least three qualified suppliers eligible under the Guidelines and in accordance with

procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55, 2.56 thereof).

2. Items or groups of items for non-propriety vehicle parts and other goods estimated to cost the equivalent of \$300,000 or less per contract, up to an aggregate amount equivalent to \$7,500,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from at least two different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Goods which the Association agrees are of a proprietary nature and replacement equipment for the power and transport sectors under Parts B and C of the Project, up to an aggregate amount equivalent to \$4,500,000, may be awarded after direct negotiations with suppliers, 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 two contracts estimated to cost the equivalent of \$300,000 or more under each Part of the Project and other items or groups of items estimated to cost the equivalent of \$1,000,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply.

(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.

(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

In order to assist the Borrower in carrying out 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.

#### SCHEDULE 4

##### Implementation Program

1. Overall Program Implementation

The PIU shall act as the executing agency of the Borrower, with responsibility for carrying out general management, administration and coordination of all Parts of the Project, and shall ensure conformity with the objective of the Project and the obligations of the Borrower under Sections 3.01 (a), 3.02 and 3.04 of this Agreement. Specific responsibilities of the PIU include:

(a) completing the detailed planning and preparation for the Project;

(b) arranging for the proper procurement of all goods and equipment;

(c) preparing, for each Project program or component for which the Association shall have so requested, a detailed action plan for the distribution of the goods to be imported under that program or component (the Plan of Distribution);

(d) ensuring good coordination in the planned provision of goods under the Project with planned importation of goods financed by other external lending agencies or provided by International donors;

(e) ensuring timely submission of the Plans of Distribution to the Borrower and the Association for approval;



(f) ensuring the proper allocation and distribution of goods to the intended end-users in accordance with the Plans of Distribution and in conformity with any special procedures required by the Association relating to the terms and conditions under which goods should be made available to end-users;

(g) monitoring overall execution of the Project;

(h) preparing and submitting withdrawal applications under the Credit;

(i) maintaining the Project accounts required under Section 4.01 (a) of this Agreement.

2. Parts A, C, D, E and F of the Project

(a) To assist in carrying out the responsibilities of the PIU for procurement under Parts A, C, D, E and F of the Project, the lists of urgently needed imports required in particular sectors or by particular public entities shall be finalized through the concerned user-Ministries or agencies of the Borrower, including MOA, MOFE and MOT.

(b) To facilitate the importation of goods, the PIU shall contract to use the services of public or private foreign trade enterprises, under such conditions and with terms of reference as are acceptable to the Association.

(c) In order to ensure the adequacy of financial resources required by non-state entities as provided for under Part A of the Project, the Borrower shall: (i) identify particular financial institutions capable of servicing credit needs of the intended distributors and end-users under Part A; and (ii) provide all necessary administrative and financial support for such financial institutions, including by making budgetary allocations as necessary to satisfy liquidity and other requirements.

3. Part B of the Project

(a) All goods and services under Part B shall be provided to DPE.

(b) DPE, with the assistance of the PIU, shall be responsible for, inter alia: (i) carrying out its own procurement directly; (ii) acceptance of delivery; and (iii) installation or use of the goods and equipment imported.

(c) For each major subcomponent under Part B, Project management teams shall be maintained within DPE with staffing and terms of reference acceptable to the Association.

