

**OFFICIAL
DOCUMENTS**

TF019164

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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November 6, 2015

H.E. Shkëlqim Cani
Minister of Finance
Ministry of Finance
Boulevard Deshmoret E. Kombit
Tirana
Republic of Albania

**Re: Grant No. TF019164
Improving Compliance Monitoring and Enhancing
Transparency in Public Procurement in Albania**

Excellency:

In response to the request for financial assistance made on behalf of the Republic of Albania ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as administrator of grant funds provided by the Russian Federation ("Donor") under the Trust Fund for Europe and Central Asia Public Finance Management (TF071577), proposes to extend to the Recipient a grant in an amount not to exceed two hundred and seventy thousand United States Dollars (US\$270,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

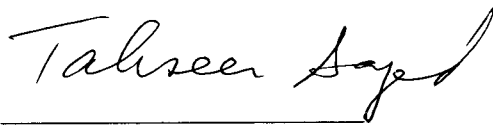
This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donor. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt of this countersigned copy, this Agreement will become effective after notification by the Recipient of completion of its internal procedures; provided however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of the Agreement and the respective notification within ninety (90) days after the date of the signature of this Agreement by the World Bank, unless the World Bank and the Recipient shall have established a later date for such purpose."

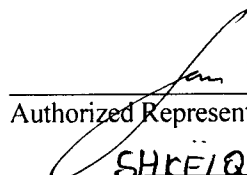
Very truly yours

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By 
Tahseen Sayed Khan
Country Manager
World Bank Office, Tirana
Republic of Albania

AGREED:

REPUBLIC OF ALBANIA

By: 
Authorized Representative
Name: SHKELQIM CAMI
Title: MINISTER OF FINANCE
Date: NOVEMBER 10, 2015

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012.
- (2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
- (3) "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011.
- (4) "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers", dated January 2011, revised July 2014.
- (5) "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers", dated January 2011, revised July 2014.

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 (“Standard Conditions”) constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

- (a) “Central Finance and Contracting Unit” or “CFCU” means the Central Finance and Contracting Unit of the Recipient’s Ministry of Finance.
- (b) “e-GP” means the PPA’s web-based e-procurement platform.
- (c) “External Institutions” means prosecution office, courts, public procurement commission and other international independent auditors.
- (d) “Law on Public Procurement” or “LPP” means the Recipient’s law on public procurement No. 9643 of 2006, as amended.
- (e) “Public Procurement Agency” or “PPA” means the Recipient’s public procurement agency.
- (f) “State Supreme Audit Institution” or “SSAI” means the Recipient’s independent entity in charge of economic and financial control, created through law No. 154/2014 dated November 27, 2014, which reports to the Recipient’s Parliament.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to support the Recipient to enhance monitoring compliance with the LPP, improve the complaint review mechanism and increase the capacity of the SSAI to audit the procurement of public contracts in the Recipient’s territory. The Project consists of the following parts:

Part A. Procurement performance and compliance monitoring

- (i) **Procurement performance indicators.** Provision of support for, *inter alia*:
 - (a) preparation of procurement performance indicators to enable the PPA to develop and test a methodology to measure the procurement performance of the Recipient’s procurement institutions and procurement officers;
 - (b) the carrying out of an assessment of the current practices and methodologies of the PPA to measure performance of the Recipient’s procurement institutions and procurement officers;
 - (c) the carrying out of a staff procurement capacity assessment;

- (d) the development of a staff training program based on the staff procurement capacity assessment;
 - (e) technical assistance to the team that will help with the modification of e-GP for the digital collection and analysis of data.
- (ii) **Modifications to e-GP.** Provision of support for, *inter alia*, the preparation of a methodology for digital collection and analysis of e-GP existing data.
 - (iii) **PPA monitoring and compliance.** Provision of support for, *inter alia*, technical assistance to strengthen monitoring compliance of PPA staff on: (a) conducting expost-reviews of contracts covering all key procurement entities and provide the PPA staff with the required on the job training; and (b) monitoring procurement officers and procurement entities performance based on the developed procurement performance indices.

Part B. Handling of electronic archived procedures

- (i) **Electronic archived procedures.** Provision of support for, *inter alia*, reviewing the legal framework and based on international experience proposing changes to the rules and regulations for handling electronic archived procurement procedures.
- (ii) **External Institutions access to procurement procedures.** Provision of support for, *inter alia*, the development of rules and regulations to grant confidential access to External Institutions conducting investigations or gathering data.

Part C. Professional expertise in procurement audit

- (i) **Procurement systems audit.** Provision of technical assistance to staff of the SSAI on audit of procurement systems, through:
 - (a) conducting of an assessment of the SSAI current practices on public procurement audit;
 - (b) developing training course materials and implementing training on public procurement audit, auditing projects financed by European Union and World Bank; and
 - (c) preparing working papers and report templates for future use on training junior staff and use during audits.
- (ii) **Pilot procurement audits.** Provision of support for, *inter alia*, the carrying out of technical assistance to the SSAI audit teams to conduct joint pilot audits of public procurement systems; and the preparation of a procurement audit manual.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the PPA and SSAI in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. **Institutional and Other Arrangements.** (a) The Recipient shall: (i) vest the overall responsibility for the implementation of the Project in the PPA and the SSAI; and (ii) ensure that the PPA and the SSAI carry out the Project in accordance with this Agreement.

(b) The Recipient shall maintain at all times during Project implementation, professional staff within the PPA and the SSAI in adequate numbers, with terms of reference, qualifications and experience acceptable to the World Bank.

(c) The Recipient shall ensure that the PPA carry out Parts A and B of the Project. The Recipient shall ensure the SSAI carry out Part C of the Project.

(d) The Recipient shall ensure that throughout Project implementation, the CFCU provides fiduciary (procurement and financial) support to the PPA and the SSAI, including on Project monitoring and evaluation.

(e) Project Operational Manual

(i) The Recipient, through the CFCU, shall prepare and maintain throughout Project implementation, a Project Operational Manual, satisfactory to the World Bank, which shall set forth roles and responsibilities of the PPA and the SSAI with regard to the Project, rules, methods, guidelines, standard documents and procedures for the carrying out of the Project including *inter alia*:

(A) the detailed description of implementation activities, their sequencing and the prospective timetable and benchmarks in relation thereto; and the detailed institutional arrangements in respect thereof;

(B) the administrative, accounting, auditing, reporting, financial, procurement and disbursement procedures, including all pertinent standard documents and model contracts in relation thereto; and

(C) the plan for the monitoring and supervision of the Project activities and performance indicators for the Project.

(ii) In the event that any provision of the Operational Manual shall conflict with any provision under this Agreement, the terms of this Agreement shall prevail.

(iii) The Operational Manual may be amended from time to time only with the World Bank's prior written consent.

2.04. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient, through CFCU, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

(b) The Recipient, through CFCU, shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than *six months after the Closing Date*.

2.05. **Financial Management.** (a) The Recipient, through CFCU, shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient, through CFCU, shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than 45 days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

2.06. ***Procurement.***

(a) General. All consultant's services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

- (i) Sections I and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers", dated January 2011 (revised July 2014) ("Consultant Guidelines"); and
- (ii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.25 of the Consultant Guidelines ("Procurement Plan").

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Consultants' Services

- (i) Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
- (ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Least Cost Selection; (B) Selection based on Consultants' Qualifications; (C) Single-source Selection of consulting firms; (D) Selection of Individual Consultants; and (E) Single-source procedures for the Selection of Individual Consultants.

(d) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

2.07. Any contract for Eligible Expenditures to be financed in full or in part out of the proceeds of the Grant shall be included in the procurement plan prepared by the Recipient and approved by the Bank in accordance with the Consultant Guidelines, prior to initiating the procurement process for any such contract.

Article III
Withdrawal of Grant Proceeds

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance 100% of Eligible Expenditures consisting of consultants’ services, Operating Costs, and Training inclusive of Taxes.

For the purposes of this paragraph, the terms:

(i) “Training” means the reasonable costs, as shall have been approved by the World Bank, for training conducted under the Project, including tuition, travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to training course and preparation and implementation (but excluding goods and consultants’ services); and

(ii) “Operating Costs” means the reasonable costs, as shall have been approved by the World Bank, for the incremental expenses incurred on account of Project implementation, consisting of banking charges such as wire transfer fees and monthly account maintenance fees and document duplication/printing.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is November 30, 2016.

Article IV
Recipient’s Representative; Addresses

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance.

4.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
Boulevard Deshmoret E. Kombit
Tirana
Republic of Albania

Facsimile: 355 4222 8494

4.03. ***World Bank's Address.*** The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America
Facsimile: 1-202-477-6391