

CONFORMED COPY

CREDIT NUMBER 2524 ALB

Development Credit Agreement

(Agriculture Sector Adjustment Credit)

between

ALBANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 7, 1993

CREDIT NUMBER 2524 ALB

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 7, 1993, between ALBANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter, dated May 24, 1993, from the Borrower describing a program of actions, objectives and policies designed to achieve structural adjustment of the Borrower's agricultural sector (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Association in the financing of urgently needed imports and services required during such execution;

(B) the Borrower, having committed itself to the execution of the Program and, as part of the Program, having undertaken to carry out the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project and of urgently needed imports required during the execution of the Program; and

WHEREAS the Association has agreed 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 modifications thereof set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 9, shall be modified to read:

"'Project' means the imports and other activities that may be financed out of the proceeds of the Credit pursuant to the provisions of Schedule 1 to the Development Credit Agreement.";

(b) Section 9.06 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution of the Program referred to in the Preamble to the Development Credit Agreement, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit."; and

(c) the last sentence of Section 3.02 is deleted.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "MOAF" means the Borrower's Ministry of Agriculture and Food;

(b) "MOFE" means the Borrower's Ministry of Finance and Economy;

(c) "MOT" means the Borrower's Ministry of Trade;

(d) "BOA" means Bank of Albania, the central bank of the Borrower;

(e) "AB" means the Agricultural Bank of the Borrower, an entity to be established through a license issued by BOA;

(f) "NAP" means the National Agency of Privatization of the Borrower;

(g) "Agricultural Program Office" means the office within MOAF, referred to in Section 3.05 (a) of this Agreement;

(h) "Leks" means the currency unit of the Borrower;

(i) "Sub-loan" means a loan made or proposed to be made out of the equivalent of the proceeds of the Credit by the Borrower for an Investment Project (defined hereafter) under terms and conditions set forth in the Subsidiary Agreement (defined hereafter);

(j) "Beneficiaries" means the private sector customers of AB such as farmers, traders or rural entrepreneurs which meet the eligibility criteria under the Subsidiary Agreement (defined hereafter) and which proposes to carry out or is carrying out Investment Projects (defined hereafter);

(k) "Investment Project" means a specific investment project, to be carried out by Beneficiaries within the financing provided under Part A of the Project through a Sub-loan;

(l) "Subsidiary Agreement" means the agreement referred to in Section 3.01 (b) of this Agreement between the Borrower and AB;

(m) "Independent Lending Unit" means the unit within AB to be established pursuant to paragraph 3 (c) of Schedule 1 to this Agreement;

(n) "SITC" means the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 343 (1986); and

(o) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement.

## 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 fourteen million two hundred thousand Special Drawing Rights (SDR 14,200,000).

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: (i) 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; and (ii) of goods imported during the execution of the Program and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project and the Program, open and maintain in dollars two special accounts in a bank or banks on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1998 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 and service charges shall be payable semiannually on January 15 and July 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 January 15 and July 15 commencing July 15, 2003 and ending January 15, 2033. Each installment to and including the installment payable on January 15, 2013 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 and Particular Covenants

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 MOAF, MOFE, MOT, BOA, AB and NAP with due diligence and efficiency and in conformity with appropriate administrative, financial and economic practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without any limitation of the provisions of paragraph (a) above, the Borrower shall enter into a Subsidiary Agreement with AB for the purpose of carrying out Part A of the Project, under terms and conditions satisfactory to the Association, which shall include, without limitation, those set forth in Schedule 6 to this Agreement.

Section 3.02. (a) The Borrower and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 4 to this Agreement.

(b) Prior to each such exchange of views as referred to in paragraph (a) of this Section, the Borrower shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request.

Section 3.03. Except as the Association shall otherwise agree, procurement of the goods, works and consultants services required for the Project and of the goods imported during the execution of the Program and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.04. The Borrower shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Project, and except as the Association shall otherwise agree, the Borrower shall not: (a) assign, amend, abrogate or waive the Subsidiary Agreement, or any provision thereof; and (b) permit AB to assign, amend, abrogate or waive the Subsidiary Agreement, or any provision thereof.

Section 3.05. The Borrower shall:

(a) maintain the Agricultural Program Office, to coordinate and manage the Program and Part B of the Project, with staffing and functions acceptable to the Association;

(b) maintain the Independent Lending Unit with staffing and functions acceptable to the Association; and

(c) cause the project implementation unit within MOFE to: (i) coordinate procurement activities for the Program; and (ii) provide procurement advisory services to MOAF, MOT, NAP and AB for Part B of the Project.

Section 3.06. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with consistently maintained sound accounting practices the expenditures financed out of the proceeds of the Credit.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account 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 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 and 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 report 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 audits 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 IV

##### Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) A situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that AB will be able to perform its obligations under the Subsidiary Agreement.

(c) The charter establishing AB shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or financial condition of AB or its ability to carry out Part A of the Project or to perform any of its obligations under the Subsidiary Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of AB or for the suspension of its operations.

Section 4.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely, that the events specified in paragraphs (c) or (d) of Section 4.01 of this Agreement shall occur.

#### ARTICLE V

##### Termination

Section 5.02. 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 VI

##### Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance and Economy of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. 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/ Roland Bimo

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Kemal Dervis

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 such proceeds 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
For the Project:		
(1) Sub-loans under Part A of the Project	3,500,000	100%
(2) Goods under Part B of the Project	600,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(3) Consultants' services fellowships, and training under Part B of the Project	2,300,000	100%
(4) Unallocated	300,000	
For the Program:		
(5) Goods imported during the execution of the Program	7,500,000	100% of foreign expenditures
TOTAL	14,200,000 =====	

2. Definitions: For the purposes of this Schedule:

(a) 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; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement;

(b) expenditures under Part A of the Project unless AB shall have been duly

established under the laws of the Borrower, a legal opinion of counsel acceptable to the Association confirming such establishment shall have been provided to the Association and the Subsidiary Agreement has been executed on behalf of the Borrower and AB on terms and conditions satisfactory to the Association; and

(c) expenditures under Part A of the Project unless the Independent Lending Unit has been established with form and staffing acceptable to the Association.

4. Withdrawals under the Program: No withdrawals shall be made and no commitments shall be entered into to pay amounts to the Borrower or others in respect of expenditures to be financed under Category (5) of paragraph 1 above:

(a) for:

(i) expenditures for goods included in the following SITC groups or subgroups, or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Borrower:

Group	Subgroup	Description of Items
112	--	Alcoholic beverages
121	--	Tobacco, unmanufactured, tobacco refuse
122	--	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	--	Radioactive and associated materials
667	--	Pearls, precious and semi-precious stones, unworked or worked
718	718.1	Nuclear reactors, and parts thereof, fuel elements (cartridges), non-irradiated for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	--	Gold, nonmonetary (excluding gold ores and concentrates)

(ii) expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(iii) payments made for expenditures prior to the date of this Agreement;

(iv) expenditures for goods supplied under a contract which any national or international financing institution or agency other than the Association shall have financed or agreed to finance; and

(v) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption; and

(b) after the aggregate of the proceeds of the Credit withdrawn from the Credit Account under Category (5) of paragraph 1 above and the total amount of such commitments shall have reached the equivalent to SDR 3,750,000 unless the Association shall be satisfied, after the exchange of views as described in Section 3.02 (a) of this Agreement: (i) with the progress achieved by the Borrower in the carrying out of



the Program including without limitation the Project; and (ii) that the actions described in Schedule 4 to this Agreement have been taken and are satisfactory to the Association.

5. If, after an exchange of views referred to in subparagraph 4 (b) above, the Association is not so satisfied and this situation shall not be rectified by the Borrower within 90 days after notice thereof by the Association, then the Association may, by notice to the Borrower, cancel the remaining amount of the Credit allocated to Category (5) of paragraph 1 above, or any part thereof.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are: (a) to provide a line of credit to the Borrower for onlending to farmers, traders and other rural entrepreneurs through AB; and (b) to strengthen the institutional framework and the project planning capabilities of the agricultural sector.

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 objectives:

#### Part A: Financing for the Agricultural Sector

Provision of financing of Sub-loans to Beneficiaries for Investment Projects, through AB, under the terms and conditions set forth in the Subsidiary Agreement.

#### Part B: Institutional Development and Technical Assistance

1. Strengthening the institutional capacity, through provision of expert assistance, training and equipment, of:

(a) AB in areas, inter alia: (i) financial management; (ii) branch management and rehabilitation; (iii) credit policy, procedures and supervision; (iv) credit review, loan classification and provisioning; (v) accounting; (vi) savings and resource mobilization; (vii) human resources development and training; and (viii) international banking;

(b) MOAF, MOT and NAP in: (i) preparation for the privatization of all enterprises; (ii) support program to privatized small and medium-scale enterprises in the agricultural sector; (iii) preparation of business plans for selected enterprises; and (iv) development of the framework for sub-sectoral price and trade policies, and commercial negotiations between suppliers and food industries; and

(c) Agricultural Program Office in coordination, monitoring and management of the Program and Part B of the Project.

2. Provision of expert assistance in:

(a) preparation of the land lease legislation and a land policy development program to improve the legal and regulatory framework regarding private and public land management;

(b) preparation of a master plan for the reform of agricultural extension system and support services for private farmers;

(c) development of the legal and regulatory framework for environmental protection and environmental standards;

(d) preparation of public investment program for market infrastructure and other urgent public investments in agriculture sector; and

(e) development of an action program for improvements in food inspection, health regulations and consumer food protection.

\* \* \*

The Project is expected to be completed by June 30, 1998.

## SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works for the Project

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works 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 1992 (the Guidelines).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract awarded is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Association, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods and works in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

2. Bidders for works included in Part A of the Project shall be prequalified as provided in paragraph 2.10 of the Guidelines.

Part B: Preference for Domestic Manufactures

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Albania may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

Goods to be financed under the respective Categories (1) and (2) of the table set forth in paragraph 1 of Schedule 1 to this Agreement:

1. estimated to cost between \$30,000 and \$150,000 per contract for Part A and for Part B of the Project, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from at least three different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association; and

2. estimated to cost per contract the equivalent of less than \$30,000 for Part A and for Part B of the Project, 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.

Part D: 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 to be awarded in accordance with the provisions of Section I, Part A.1 of this Schedule, 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 5 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 3.06 (c) (ii) of this Agreement.

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 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 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agree with the Association.

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.

#### Section III. Procurement of Goods Other Than for the Project, During the Execution of the Program

1. Contracts for the procurement of goods estimated to cost the equivalent of \$1,000,000 or more each shall be awarded through international competitive bidding in accordance with procedures consistent with those set forth in Sections I and II of the Guidelines, subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

##### "2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Forum, Business Edition; or
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. Contracts for the procurement of goods estimated to cost the equivalent of less than \$1,000,000 each 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 of a proprietary nature, such as books, technical journals, training materials, audio-visual materials, computer software, including annual upgrading and licensing arrangements, may be purchased from suppliers on the basis of negotiated contracts pursuant to procedures acceptable to the Association.

4. Subject to the prior approval of the Association, commonly traded commodities may be procured through organized international commodity markets or other channels of competitive procurement acceptable to the Association, in accordance with procedures acceptable to the Association.

5. With respect to each contract referred to in paragraph 1 of this Schedule, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Association shall reasonably request. Where payments under a contract are to be made out of the proceeds of the Special Account, such copies together with the other information required to be furnished to the Association pursuant to this paragraph shall be furnished to the Association as part of the evidence required under paragraph 4 of Schedule 5 to this Agreement.

6. With respect to each contract referred to in paragraphs 2, 3 and 4 of this Schedule, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect thereof, such documentation and information as the Association may reasonably request to support withdrawal applications in respect of such contract. Where payments under a contract are to be made out of the proceeds of the Special Account, the documentation and the information to be furnished to the Association pursuant to the provisions of this paragraph shall be furnished to the Association as part of the evidence required under paragraph 4 of Schedule 5 to this Agreement.

7. The provisions of the preceding paragraph 5 of this Schedule 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.

#### SCHEDULE 4

##### Actions Referred to in Paragraph 4 (b) of Schedule 1 to this Agreement

1. Continued maintenance of a macroeconomic framework consistent with the objectives of the Program as determined on the basis of indicators acceptable to the Borrower and the Association.

2. Continued maintenance of the domestic price of donor-supplied wheat and flour credited to counterpart funds at or above 16 Leks/kg and at or above the domestic producer price of said commodities in real terms.

3. Continued maintenance of the domestic price of donor-supplied food products credited to counterpart funds at or above the January 1993 price of said food products in real terms.

4. Agreement has been reached with the Association on the margins applicable to distribution, storage and milling of wheat and to bread production in the state enterprise sector.

5. Adoption and implementation of the first phase of a comprehensive institutional development plan for AB, acceptable to the Association.

6. Liquidation of all state farms, distribution of their land rights, sale of their assets and settlement of their claims have been completed.

7. Enactment of legislation, with provisions acceptable to the Association,

authorizing leasing and subleasing of agricultural land and protecting the rights of lessees and sublessees.

8. Any subsidies earmarked in the Borrower's 1994 budget for state enterprises under the purview of the MOA have been drawn exclusively from the overall budget allocation in 1994 for restructuring state enterprises.

9. Privatization or liquidation of all small and medium (employing less than 50 workers) agricultural marketing and processing enterprises and adoption of a privatization timetable, acceptable to the Association, for large state-owned enterprises in agricultural marketing and processing.

#### SCHEDULE 5

##### Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means: (i) in the case of Special Account Project, Categories (1), (2), and (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and (ii) in the case of Special Account Program, Category (5) of said table;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of: (i) goods, works and services required for the Project, to be financed out of the proceeds of the Credit; and (ii) goods imported during the execution of the Program, to be financed out of the proceeds of the Credit, allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means: (i) an amount equivalent to \$500,000 to be withdrawn from the Credit Account and deposited in the Special Account Project; and (ii) an amount equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited into the Special Account Program, all pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) On the basis of such request or requests by the Borrower, for deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in the appropriate Special Account such amount or amounts as the Borrower shall have requested.

- (b) (i) The Borrower shall furnish to the Association a request for replenishment of the Special Account at such intervals as the Association shall specify; and
- (ii) prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the appropriate Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been made out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made

exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Program, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

#### SCHEDULE 6

##### Terms and Conditions of the Subsidiary Agreement

A. For the purposes of Section 3.01 (b) of this Agreement, the Borrower shall enter into a Subsidiary Agreement with AB for the purpose of carrying out Part A of the Project in conformity with terms and conditions set forth or referred to in this Schedule.

1. The aggregate amount to be made available by the Borrower to the Beneficiaries shall be the equivalent in Leks of the value of the currency or currencies so withdrawn or paid out on account of the cost of goods, works and services for the Investment Projects to be carried out under Sub-loans made by the Borrower through AB and to be financed out of the proceeds of the Credit allocated from time to time to Category (1) of paragraph 1 of Schedule 1 to this Agreement.

2. AB shall pass on to the Borrower amounts of principal on Sub-loans collected from Beneficiaries. The amount of principal of Sub-loans payable by AB to the Borrower shall be reduced by the amount of principal non-collectible on Sub-loans. Sub-loans or portions thereof shall be considered non-collectible in the occurrence of arrears on principal or interest dating back more than 12 months after billing through AB.

3. AB shall pass on to the Borrower amounts of interest on Sub-loans collected from

Beneficiaries, reduced by a service fee of not less than 2% points per annum. If Sub-loans or portions thereof are considered non-collectible, AB shall pass on to the Borrower the full amount of all interest collected on these Sub-loans without deduction of the service fee.

4. The Subsidiary Agreement shall be for a period not exceeding ten years.

5. Sub-loans shall be made by the Borrower through AB to Beneficiaries who each shall have established that: (a) it is creditworthy, and has a sound financial structure and the organization, management, staff and other resources required for the efficient carrying out of the Investment Project; (b) its projected cash generation or equity increases shall be sufficient to enable it to meet the estimated expenditures required for the Investment Project; and (c) for each Beneficiary other than an individual entrepreneur, it is in a position to maintain a debt to equity ratio of not more than 70:30, a debt service coverage ratio of not less than 1.5:1, and a ratio of current assets to current liabilities of not less than 1.3:1.

6. Sub-loans shall be made by the Borrower through AB for Investment Projects which: (a) are determined to be technically feasible and financially viable; (b) are designed with appropriate environmental standards satisfactory to the Association; and (c) have a financial rate of return in real terms of at least 12 percent.

7. All Sub-loans shall be reviewed and approved by the Independent Lending Unit of AB on behalf of the Borrower.

8. The Sub-loans shall be repaid to the Borrower over a period of 7 years, inclusive of a grace period of not more than one year.

9. The principal amount of each Sub-loan shall be limited to an amount of \$150,000 equivalent and the sum of Sub-loans outstanding at any time to one single Beneficiary shall not exceed \$300,000 equivalent.

10. Each Sub-loan shall be charged interest, on the principal amount thereof withdrawn and outstanding from time to time, at the rate of interest of AB applicable for investment loans based on AB's interest rate policies. The rate of interest on Sub-loans shall be positive in real terms at all times.

11. Sub-loans shall be made on terms whereby the Borrower making the Sub-loan through AB shall obtain, by written contract or other appropriate means, rights adequate to protect its interest and those of the Association, including the right to:

(a) require the Beneficiary to carry out the Investment Project with due diligence and efficiency and in conformity with appropriate technical, economical, financial, environmental and commercial practices, to maintain adequate records, and to provide, promptly as needed, the funds, facilities and other resources required for the purpose;

(b) require that the goods to be financed out of the proceeds of the Credit be procured in accordance with the provisions of Schedule 3 to this Agreement, and use such goods exclusively in the carrying out of the Investment Project;

(c) require that the pesticides to be financed out of the proceeds of the Credit not include those listed in Categories I.a and I.b in the WHO Recommended Classification of Pesticides;

(d) inspect, by itself or jointly with representatives of the Association, if the Association shall so request, the goods and the sites, works, plans and construction included in the Investment Project, the operation thereof, and any relevant records and documents;

(e) require that the Beneficiary take out and maintain such insurance, against such risks and in such amounts, as shall be consistent with sound business practices, including such insurance to cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Credit to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Beneficiary to replace or repair such goods;

(f) require each Beneficiary to furnish as soon as available, but in any case not later than six months after the end of each fiscal year, copies of its financial statements for such year, of such scope and in such detail as reasonably requested;

(g) obtain all such information as the Association shall reasonably request

relating to the foregoing and to the administration, operations and financial condition of the Beneficiary and to the benefits to be derived from the Investment Project; and

(h) suspend or terminate the right of the Beneficiary to the use of the proceeds of the Sub-loan upon failure by such Beneficiary to perform its obligations under its contract.

B. For the purpose of its lending involving credit risk to AB, AB shall, jointly with the Borrower, by December 31, 1993, prepare credit guidelines acceptable to the Association.

