

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4263 ALB

Financing Agreement

(Land Administration and Management Project)

between

ALBANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 21, 2007

CREDIT NUMBER 4263 ALB

FINANCING AGREEMENT

AGREEMENT dated March 21, 2007, between ALBANIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

WHEREAS the Recipient has also requested the Bank to provide additional assistance towards the financing of the Project and by an agreement of even date herewith between the Recipient and the Bank (the Loan Agreement), the Bank is agreeing to provide such assistance in an aggregate principal amount equal to fifteen million two hundred thousand Euro (□15,200,000) (the Loan).

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Financing Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II - FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to ten million Special Drawing Rights (SDR 10,000,000) (“Credit”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Credit in accordance with Section V of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the unwithdrawn Credit Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are May 15 and November 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Euro.

ARTICLE III - PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient, through the IPRO, the Ministry of Public Works, Transport and Telecommunications, and the Ministry of Interior, shall carry out the Project in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV - REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consist of the following:

- (i) Subject to subparagraph (ii) of this paragraph, the right of the Recipient to withdraw the proceeds of the Swedish Co-financing Grant or the Japanese Co-financing Grant respectively shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the Swedish Co-financing Grant Agreement or the Japanese Co-financing Grant Agreement.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Association that:
 - (A) such suspension, cancellation or termination is not caused by the failure of the Recipient to perform any of its obligations under the Swedish Co-financing Grant Agreement or the Japanese Co-financing Grant Agreement, respectively; and
 - (B) adequate funds for the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under the Swedish Co-financing Grant Agreement or the Japanese Co-financing Grant Agreement, respectively.

ARTICLE V - EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) the Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness have been fulfilled other than those related to the effectiveness of this Agreement;
 - (b) the Swedish Co-financing Grant Agreement and the Japanese Co-financing Grant Agreement have been executed and delivered and all conditions precedent to their respective effectiveness or to the right of the Recipient to make withdrawals under the Swedish Co-financing Grant Agreement and the Japanese Co-financing Grant Agreement (other than the effectiveness of the Financing Agreement and the Loan Agreement) have been fulfilled; and
 - (c) the Project Operational Manual and the Financial Management Manual have been adopted by the Recipient.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI - REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is the Minister of Finance.
- 6.02. The Recipient's Address is:

Ministry of Finance
Bulevardi "Deshmoret e Kombit"
Tirana, Albania

Facsimile:

355 42 28494

- 6.03. The Association's Address is:
- International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

AGREED at Tirana, Albania, as of the day and year first above written.

ALBANIA

By /s/ Ridvan Bode
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Nadir Mohammed
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve the efficiency and effectiveness of land administration and urban management, through enhancing tenure security, improving urban planning, land management and development control, improving property valuation and taxation, and investments in urban infrastructure and services.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objective:

Part A. Security of Tenure and Registration of Immovable Property Rights

1. Improvement of service delivery by the IPRO for land registration and property transactions, through the provision of equipment and furniture, consultants' services, technical services, information technology, training and capacity building services.
2. Operational support for completion of first registration of urban, per-urban and rural immovable property, including, *inter alia*, public awareness and outreach campaigns, mapping and adjudication services, support for quality control, through the provision of goods, technical services and consultants' services.
3. Development and revision of laws and regulations necessary to support the completion of registration of immovable property, improve IPRO services and enhance the security of tenure, through the provision of consultants' services.
4. Development of a training needs assessment, provision of training to IPRO staff, and establishment of a training center in the IPRO's central office, through the provision of consultants' services, training, goods and works.
5. Strengthening of IPRO's administrative, general management and Project management capacities, through the provision of Incremental Operating Costs, equipment and consultants' services.

Part B. Urban Land Management

1. Capacity building in Participating Municipalities, including, *inter alia*, the development of regulatory plans, the establishment of computerized valuation systems, and the implementation of address systems, through the provision of consultants' services, technical services and goods.
2. Preparation of a property valuation law and introduction of market value-based property taxation in Participating Municipalities.

3. Development of urban land management laws and regulations, through the provision of consultants' services.
4. Provision of training to municipal staff in land use planning and development control.
5. Strengthening of the Urban Planning Department's administrative and management capacity, through the provision of Incremental Operating Costs, goods and consultants' services.

Part C. Municipal Infrastructure

1. Provision of Small Grants to Participating Municipalities for improvement of municipal infrastructure and services.
2. Implementation of address systems in Participating Municipalities, through the provision of goods and consultants' services.
3. Provision of training to Participating Municipalities in the areas of procurement and financial management.
4. Project management and capacity building support for the Ministry of Interior, through the provision of Incremental Operating Costs, goods and consultants' services.

SCHEDULE 2

Project Execution

Section I. Institutional Arrangements

The Recipient shall carry out the Project in accordance with the following coordination mechanisms:

1. The IPRO shall be responsible for carrying out Part A of the Project. As such, the IPRO shall, *inter alia*, be in charge of procurement, financial management, planning, coordination and monitoring and evaluation for the activities under Part A of the Project. The Chief Registrar of the IPRO shall be the director for Part A of the Project.

2. The Urban Planning Department within the MPWTT shall be responsible for carrying out Part B of the Project. As such, the MPWTT shall, *inter alia*, be in charge of procurement, financial management, as well as monitoring and reporting for Part B of the Project. The head of the Urban Planning Department within the MPWTT shall be the director for Part B of the Project.

3. The Department of Local Government Finance within the MoI shall be responsible for carrying out Part C of the Project. As such, the MoI shall *inter alia*, be responsible for procurement, financial management, planning, coordination, monitoring and evaluation, and environmental and social issues for the activities under Part C of the Project. The Participating Municipalities shall be in charge of carrying out the day-to-day activities under Part C.1 of the Project. The head of the Department of Local Government Finance within the MoI shall be the director for Part C of the Project. The MoI shall carry out operational reviews of the Small Grants provided to Participating Municipalities under Part C.1 of the Project, in accordance with the provisions in the Project Operational Manual.

4. The Project Steering Committee shall be responsible for the coordination between the Parts A, B and C of the Project. It shall be chaired by the Minister of Justice or his designee and shall include members of the Ministry of Finance, the MPWTT, the MoI, the IPRO and the Executive Director of the Albanian Association of Municipalities.

5. The Recipient shall ensure that, during the entire life of the Project, the IPRO, the MPWTT and the MoI shall dedicate and employ adequate staff, including procurement and financial management specialists, and resources for the implementation of the Project.

Section II. Implementation Covenants

1. The Recipient shall carry out the Project in accordance with the Environmental Policy Framework, the Resettlement Policy Framework, the Project Operational Manual

and the Financial Management Manual, and shall not amend, suspend, abrogate, repeal or waive any provision of the Environmental Policy Framework, the Resettlement Policy Framework, the Project Operational Manual or the Financial Management Manual without prior approval of the Association.

2. The Recipient shall:

(a) take all steps necessary for the submission to Parliament: (i) by September 30, 2007, of a revised law on urban management; and (ii) by May 15, 2008, of a draft law on property evaluation, both satisfactory to the Association;

(b) not later than January 1, 2009, reorganize the IPRO as an autonomous and self financing office, headed by a chief registrar who shall report to a board of directors composed of representatives of the Recipient's government and user groups; and

(c) not later than December 31, 2008, develop a policy and take proper regulatory and other actions for the protection of registered property rights, in a manner acceptable to the Association.

3. The Recipient, through the MoI, shall carry out two operational reviews and audits of the activities under Part C.1 of the Project for review by the Association, in accordance with the terms of reference in the Project Operational Manual.

Section III. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each Project Report shall cover the period of one (1) calendar semester and shall be submitted by September 30 and March 31 respectively, starting March 31, 2007.

2. Without limitation on the provisions in paragraph 1 of this Sub-section, the Recipient shall:

(a) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about March 31, 2009, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (1) of this Sub-section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(b) review with the Association, by April 30, 2009, or such later date as the Association shall determine, the report referred to in paragraph (a) of this Sub-section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty five (45) days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Project was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section IV. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Credit shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Schedule.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding - with the modifications set forth in paragraph 3 below
(b) Shopping
(c) Direct Contracting

3. The National Competitive Bidding procedures shall be based on the Open Tendering procedures as defined in the Public Procurement Law of Albania, and the following additional provisions:

- (i) "Open Tendering" procedures as defined in the Procurement Law of Albania shall apply to all contracts;
- (ii) foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders in the bidding process. Government-owned enterprises in Albania shall be permitted to bid only if they are legally and financially autonomous and operate under commercial law of the Recipient;
- (iii) procuring entities shall use sample bidding documents approved by the Association;
- (iv) in case of higher bid prices compared to the official estimate, all bids shall not be rejected without the prior concurrence of the Association;
- (v) a single-envelope procedure shall be used for the submission of bids;

- (vi) post-qualification shall be conducted only on the lowest evaluated bidder; no bid shall be rejected at the time of bid opening on qualification grounds;
- (vii) bidders who contract as a joint venture shall be held jointly and severally liable;
- (viii) contracts shall be awarded to the lowest evaluated, substantially responsive bidder who is determined to be qualified to perform in accordance with pre-defined and pre-disclosed evaluation criteria;
- (ix) post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidders; and
- (x) contracts of long duration (more than 18 months) shall contain appropriate price adjustment provisions.

C. Particular Methods of Procurement of Consultants’ Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Selection Based on Consultants’ Qualification
(b) Fixed Budget
(c) Individual Consultants
(d) Least-Cost Selection
(e) Single-Source Selection

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section V. Withdrawal of the Proceeds of the Credit

A. General

1. The Recipient may withdraw the proceeds of the Credit in accordance with the provisions of Article II of the General Conditions, the provisions of this Section, and such additional instructions as the Bank may specify by notice to the Recipient, to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Credit ("Category"), the allocations of the amounts of the Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
(1) Goods and Works for Part B of the Project	650,000	100%
(2) Consultants' Services, Training, Technical Services and Incremental Operating Costs for Part A of the Project	8,090,000	100%
(3) Consultants' Services, Training, Technical Services and Incremental Operating Costs for Part B of the Project	1,060,000	100%
(4) Refund of Project Preparation Advance	200,000	Amount payable pursuant to Section 2.07 of the General Conditions
TOTAL AMOUNT	<u>10,000,000</u>	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals in respect of Categories (2) and (3) up to an aggregate amount not to exceed SDR 400,000 equivalent may be made for payments made prior to this date but on or after January 1, 2007.

2. The Closing Date is December 31, 2011.

SCHEDULE 3**Repayment Schedule**

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each May 15 and November 15:	
Commencing May 15, 2017 to and including November 15, 2026	5%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX**Definitions**

1. “Category” means a category set forth in the table in Section V of Schedule 2 to this Agreement.
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
3. “Department of Local Government Finance” means the department responsible for local government finance within the Ministry of Interior (as hereinafter defined).
4. “Environmental Policy Framework” means the framework adopted by the Recipient on September 1, 2006, satisfactory to the Association, consisting of the set of mitigation, monitoring, and institutional measures to be taken to eliminate adverse environmental and social impacts, as well as impacts on cultural heritage, offset them, or reduce them to acceptable levels, as well as actions needed to implement these measures.
5. “Executive Director of the Albanian Association of Municipalities” means the head of the association of municipalities in Albania, established on May 10, 2004.
6. “Financial Management Manual” means the document adopted by the Recipient and satisfactory to the Association, setting forth the rules and regulations for financial management of the Project, as the same may be amended from time to time with the agreement of the Association.
7. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
8. “Immovable Property Registration Office” or “IPRO” means the Recipient’s Immovable Property Registration Office.
9. “Incremental Operating Costs” means reasonable and necessary incremental expenditures, approved by the Association on the basis of annual budgets acceptable to the Association, incurred by the MPWTT, the IPRO, and the MoI on account of Project management and monitoring, including communication costs, courier and postage costs, translation and interpretation costs, bank charges, in-country travel expenses, and other miscellaneous costs directly associated with the implementation of Project activities as may be agreed with the Association, but excluding salaries or honoraria of officials and employees of the Recipient, including the MPWTT, the IPRO and the MoI.

10. “Japanese Co-financing Grant” means an amount of one million five hundred and thirty seven thousand Dollars (\$1,537,000) to be contracted between the Recipient and the Association, acting as an administrator for the Government of Japan, to assist in financing the Project.
11. “Japanese Co-financing Grant Agreement” means the agreement to be entered into between the Recipient and the Association, as an administrator of the funds provided by the Government of Japan for the Japanese Co-financing Grant.
12. “Ministry of Finance” or “MoF” means the Recipient’s Ministry of Finance, and shall include any successor thereto.
13. “Ministry of Interior” or “MoI” means the Recipient’s Ministry of Interior, and shall include any successor thereto.
14. “Ministry of Justice” means the Recipient’s Ministry of Justice, and shall include any successor thereto.
15. “Ministry of Public Works, Transport and Telecommunications” or “MPWTT” means the Recipient’s Ministry of Public Works, Transport and Telecommunications, and shall include any successor thereto.
16. “Participating Municipalities” means the municipalities selected to receive Small Grants under Part C.1 of the Project pursuant to eligibility criteria set forth in the Project Operational Manual (hereinafter defined).
17. “Planning and Monitoring Department” means the Department in charge of planning and monitoring within the IPRO.
18. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
19. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated December 14, 2006 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
20. “Project Operational Manual” means the document adopted by the Recipient and satisfactory to the Association, setting forth the rules and regulations for implementation of the Project, including the eligibility criteria for the Small Grants to Participating Municipalities, as the same may be amended from time to time with the agreement of the Association.

21. “Project Steering Committee” means the committee in charge of coordination of the Project activities and entities, chaired by the Minister of Justice of the Recipient or his designee, and composed of representatives of the Ministry of Finance, the Ministry of Justice, the MoI, the MPWTT, the IPRO and the Executive Director of the Albanian Association of Municipalities.
22. “Public Procurement Law of Albania” means the Recipients law No. 7971, dated July 26, 1995, as last amended by amendment No. 9372, dated April 14, 2005.
23. “Resettlement Policy Framework” means the document prepared by the Recipient and adopted on September 1, 2006, satisfactory to the Association, setting forth the procedures, actions, and policies for the assessment, mitigation, and monitoring of potential resettlement issues resulting from activities performed under the Project, as well as specifying the circumstances when land titling cannot be supported under the Project, as the same may be modified from time to time by agreement between the Recipient and the Association.
24. “Small Grants” means grants provided to Participating Municipalities under Part C.1 of the Project for investments pursuant to the procedures and criteria set forth in the Project Operational Manual.
25. “Swedish Co-financing Grant” means an amount of five million Dollars (\$5,000,000) to be contracted through several agreements between the Recipient and the Association, acting as an administrator for the Government of Sweden, to assist in financing of the Project.
26. “Swedish Co-financing Grant Agreement” means the first agreement to be entered into between the Recipient and the Association, as an administrator of the funds provided by the Government of Sweden for the Swedish Co-financing Grant.
27. “Technical Services” means expenditures for the cost of first registration, data conversion and improvement, and similar services as agreed between the Recipient and the Association.
28. “Training” means training activities (other than consultants’ services) to be carried out under the Project, as approved by the Association on the basis of annual training and study tour plans acceptable to the Association, including the reasonable and necessary local and international travel and visa expenses incurred by participants in training workshops and study tours, as well as lodging, subsistence, local and international per diem allowances, registration, tuition and facilitators’ fees, minor organizational expenses (including costs of stationery, handouts and training materials), translation and interpretation costs, facility rental costs, and other expenditures directly relating to the training workshop and study tour activity, as may be agreed with the Association.

29. “Urban Planning Department” means the department for urban planning within the Ministry of Works, Transport and Telecommunications.