

**OFFICIAL  
DOCUMENTS**

LOAN NUMBER 8429-AL

# Loan Agreement

(Albania Power Recovery Project)

between

REPUBLIC OF ALBANIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated *NOVEMBER 3*, 2014

**LOAN AGREEMENT**

Agreement dated *November 3*, 2014, between the REPUBLIC OF ALBANIA (“Borrower”) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

**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 this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II — LOAN**

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of one hundred and twelve million a hundred thousand Euros (€112,100,000) as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Fixed Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02(e) of the General Conditions.
- 2.05. The Payment Dates are May 15 and November 15 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

### **ARTICLE III — PROJECT**

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out Part 4 of the Project through MoEI and shall cause Part 1 of the Project to be carried out by KESh, Part 2 of the Project to be carried out by OShEE and Part 3 of the Project to be carried out by OST (collectively, the “Project Implementing Entities”) in accordance with the provisions of Article V of the General Conditions and the relevant Project Agreements.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

#### **ARTICLE IV — REMEDIES OF THE BANK**

- 4.01. The Additional Event of Suspension consists of the following, namely that any one of the Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of said Project Implementing Entity to perform any of its obligations under its respective Project Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely the event specified in Section 4.01 of this Agreement occurs.

#### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Borrower through MoEI has prepared and adopted a Project Operations Manual satisfactory to the Bank.
  - (b) The Borrower through MoEI has: (i) established a PMU and caused the Project Implementing Entities to each establish PIUs and, (ii) recruited for the PMU and caused the Project Implementing Entities to recruit for the PIUs, staff with qualifications, experience and resources satisfactory to the Bank.
  - (c) The Subsidiary Loan Agreements have been executed on behalf of the Borrower and the Project Implementing Entities.
- 5.02. The Additional Legal Matter consist of the following, namely, the Subsidiary Agreements have been duly authorized or ratified by the Borrower and each respective Project Implementing Entity and each Subsidiary Agreement is legally binding upon the Borrower and each respective Project Implementing Entity in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

#### **ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Borrower's Representative is its Minister for Finance.

6.02. The Borrower's Address is:

Ministry of Finance  
No. 3 Bulevardi "Deshmoret e Kombit"  
Tirana  
Albania

Facsimile:

355 42228494

6.03. The Bank's Address is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

Telex:

Facsimile:

INTBAFRAD  
Washington, D.C.

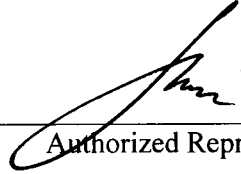
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1-202-477-6391

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

REPUBLIC OF ALBANIA

By



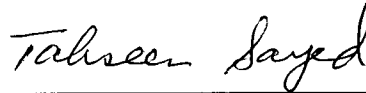
Authorized Representative

Name: SHKELQIM ÇANI

Title: MINISTER OF FINANCE

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By



Authorized Representative

Name: TAHSEEN SAYED

Title: COUNTRY MANAGER

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to improve reliability of supply and financial viability of the power sector.

The Project consists of the following parts:

#### **Part 1. Short-Term Complementary Power Import Support**

Providing support to the Borrower to purchase short term complementary power imports to meet the power shortage resulting from KESh's reduced power generation capacity as a result of the turbines rehabilitation work.

#### **Part 2. Upgrading Distribution Infrastructure**

Assisting the Borrower to reduce power losses, improve cash collection and reliability of power supply through:

- (a) supplying and installing transformers and ancillary equipment at selected substations in Tirana;
- (b) providing targeted investments in the medium voltage grid including cable lines, concrete poles, metal clad switchgears, power distribution cabins and associated metering equipment;
- (c) supplying and installing power meters to cater for customers who have no or damaged meters; and
- (d) upgrading the billing and collection system and providing any necessary training to utilize it.

#### **Part 3. Transmission Meter/Data Center Upgrade**

Strengthening the capacity of OST to transmit power, including:

- (a) providing power meters and upgrading a data center; and
- (b) supplying and installing an information technology system for the OST data center and providing technical assistance for developing procedures for the establishment of a market platform, for independent power producers and eligible customers among others.

Part 4. Supporting Power Sector Reforms and Project Implementation

- (a) Carrying out priority power sector reforms to facilitate the recovery of the power sector and improve the management of the distribution company, through the provision of technical advisory services for:
  - (i) revising the power market model to introduce more competition in the sector and reduce the Borrower's power supply obligation as per the relevant EU directives;
  - (ii) revising the renewable energy law to ensure sustainability of independent power producers;
  - (iii) introducing a new cost-recovery tariff methodology to reflect updates in the power market model;
  - (iv) updating the Borrower's current energy strategy; and
  - (v) designing implementation and monitoring of social outreach programs targeting electricity consumers and key stakeholders.
- (b) Supporting a Project Management Unit within MoEI through the provision of goods, Operating Costs, Training, and technical advisory services.
- (c) Recruiting specialized advisory services to support the implementation and monitoring of the OShEE Performance Management Program.
- (d) Carrying out a risk management study to mitigate the impact of weather volatility in the power sector.



## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

###### 1. Project Management Unit

The Borrower through MoEI shall establish and maintain throughout the implementation of the Project, a Project Management Unit, which will be managed by a Project Coordinator appointed by MoEI with key staff with functions and responsibilities acceptable to the Bank, including the following additional responsibilities: (a) preparing the Project Operations Manual, together with PIUs, to be approved by the Minister of Energy and Industry; (b) assisting PIUs in developing bidding documents; (c) assisting the Borrower, through the MoEI in the establishment of Bid Evaluation Committees, comprising of staff from PMU and PIUs, as appropriate, according to the Project Operations Manual; (d) supporting coordination in the design and monitoring of social outreach programs; (e) carrying out implementation oversight including supervision, as appropriate; and (f) providing periodic monitoring and evaluation of Project implementation.

###### 2. Project Implementation Units

- (a) The Borrower through MoEI shall cause the Project Implementing Entities to establish and maintain throughout implementation of the Project, PIUs with key staff including project coordinators, procurement specialists, financial management specialists and other needed technical specialists with functions and responsibilities acceptable to the Bank.
- (b) The PIUs shall meet at least bi-annually and shall be responsible for the day to day implementation of the Project Implementing Entities' Respective Parts of the Project, including the preparation and submission of the relevant budgets to the PMU for processing.

##### B. Implementation Arrangements

###### 1. Project Operations Manual

Without limitation to the provisions of Article V of the General Conditions, the Borrower shall through MoEI ensure that:

- (a) the Project is carried out in accordance with the Project Operations Manual; and
- (b) the Project Operational Manual or any part thereof is not amended, waived, suspended or abrogated without the Bank's prior written concurrence, and in case of any inconsistency between the provisions of the Project Operational Manual and those of this Agreement, the provisions of this Agreement shall prevail.

2. Subsidiary Loan Agreements

- (a) To facilitate the carrying out of the Project Implementing Entities' Respective Parts of the Project, the Borrower shall lend the proceeds of the Loan allocated to Part 1 of the Project to KESh, the proceeds of the Loan allocated to Part 2 of the Project to OShEE and the proceeds of the Loan allocated to Part 3 of the Project to OST under subsidiary agreements ("Subsidiary Loan Agreements") between the Borrower and each of the Project Implementing Entities, under terms and conditions approved by the Bank, including the following:
  - (i) the proceeds of the Subsidiary Loan Agreements shall be denominated and repayable in LEK;
  - (ii) the Borrower shall charge interest on the principal amount withdrawn and outstanding from time to time at the rate of three quarters of one percent (0.75%) per annum; and
  - (iii) the Subsidiary Loans shall be repayable over a period not exceeding twenty-two and a half (22.5) years from the date of the Subsidiary Loan Agreement, inclusive of a grace period not exceeding seven (7) years.
  - (iv) OShEE will contribute ten percent (10%) of the contract value under Category 2 and OST twenty percent (20%) of the contract value under Category 3 respectively as set forth in the table in Section V of Schedule 2 to this Agreement; and ensure that all the relevant contracts are procured in accordance with the applicable World Bank procurement guidelines.
- (b) The Borrower shall exercise its rights under each respective Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree in writing, the Borrower shall not assign, amend, abrogate or waive any Subsidiary Loan Agreement or any of its provisions.

3. Power Service Contracts

- (a) In implementing Part 4(a) of the Project, the Borrower shall, not later than October 31, 2014, ensure that the Project Implementing Entities enter into agreements (the “Power Service Contracts”), satisfactory to the Bank, comprising:
  - (i) the PSC between KESh and OShEE (the “KESh/OShEE PSC”) setting out OShEE’s obligation to purchase power generated by KESh;
  - (ii) the PSC between KESh and OST (the “KESh/OST PSC”) setting out OST’s obligations to transmit the power generated by KESh; and
  - (iii) the PSC between OShEE and OST (the “OShEE/OST PSC”) setting out OST’s obligations to transmit power purchased by OShEE.
- (b) The Borrower shall ensure that the PSCs contain information on: (i) daily scheduling, deviations and accounting; (ii) monthly energy balance; (iii) monthly energy and financial settlement based on methodology monitored and established by the market operator and OST; and (iv) the monthly payments and guarantees through commercial banks.
- (c) The Borrower shall ensure that the Power Service Contracts are not assigned, amended, abrogated or waived without the Bank’s prior approval in writing.

**C. Anti-Corruption**

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

**D. Safeguards**

- 1. In implementing Parts 2 and 3 of the Project, the Borrower shall cause OShEE and OST to ensure that their Respective Parts of the Project are carried out in accordance with the Safeguard Frameworks and Safeguard Instruments. To that end, the Borrower shall cause OShEE and OST to take the following actions in a manner acceptable to the Bank:
  - (a) if any Project activity, pursuant to the Environmental and Social Management Framework (“ESMF”):

- (i) requires the carrying out of an Environmental and Social Impact Assessment (“ESIA”): (A) carry out an ESIA in accordance with the requirements of the ESMF and furnish said ESIA to the Bank for review and approval; and (B) disclose said ESIA as required by the ESMF and approved by the Bank; and
  - (ii) requires the preparation of an Environmental and Social Management Plan (“ESMP”): (A) prepare an ESMP in accordance with the ESMF and furnish said ESMP to the Bank for review and approval; and (B) disclose said ESMP as required by the ESMF and approved by the Bank; and
- (b) if a Resettlement Action Plan (“RAP”) is required for any Project activity under OShEE’s or OST’s Respective Part of the Project, on the basis of the Resettlement Policy Framework (“RPF”):
- (i) prepare said RAP in accordance with the requirements of the RPF, disclose it locally and furnish it to the Bank for review and approval; and
  - (ii) ensure that no activity in which land acquisition involving resettlement of any persons shall be commenced until all measures required to be taken under said RAP prior to the initiation of said activity have been taken.

**Section II. Project Monitoring Reporting and Evaluation**

**A. Project Reports**

The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators acceptable to the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.

**B. Financial Management, Financial Reports and Audits**

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. The Borrower shall prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.

3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower, commencing with the fiscal year in which the first withdrawal was made. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

### **Section III. Procurement**

#### **A. General**

1. **Goods and Non-consulting Services.** All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Loan 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 Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan 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 Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

#### **B. Particular Methods of Procurement of Goods and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding; (b) Shopping; (c) Direct Contracting and (d) procurement of commodities, following the procedures set forth in para 2.68 of the Procurement Guidelines.
3. **Modifications to the Borrower's National Competitive Bidding Procedures.** The National Competitive Bidding procedures ("NCB") shall be based on the Open Tendering procedures as defined in the Public Procurement Law ("PPL") of Albania (Law No. 9643 dated November 20, 2006, as amended), provided, however, that such procedure shall be subject to the provisions of Section I and

Paragraphs 3.3 and 3.4 of the Procurement Guidelines and the following additional provisions:

- (a) "Open Tendering" procedures as defined in the PPL of Albania shall apply to all contracts financed by the Bank.
- (b) 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 Borrower. Registration shall not be used to assess bidders' qualifications.
- (c) Bids shall be opened in public in one location, immediately after the deadline for submission of bids in the presence of the representatives who choose to attend.
- (d) The procuring entities shall use sample bidding documents as approved by the Bank.
- (e) In case of higher bid prices compared to the official estimate, all bids shall not be rejected without the prior concurrence of the Bank.
- (f) A single-envelope procedure shall be used for the submission of bids.
- (g) 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.
- (h) Bidders in the form of a joint venture shall be held jointly and severally liable.
- (i) Before rejecting all bids and soliciting new bids, the prior concurrence of the Bank shall be obtained.
- (j) 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.
- (k) Post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidders.
- (l) Contracts of long duration (more than 18 months) shall contain appropriate price adjustment provisions.

- (m) Bid and contract guarantees shall be in the format included in the bidding documents. The bid guarantee shall be valid for twenty-eight (28) days beyond the original validity period of the bid, or beyond any period of extension if requested. No advance payments shall be made to without a suitable advance payment guarantee.
- (n) The bidding document and contract as deemed acceptable by the Bank shall include provisions stating the Bank's policy to sanction firms or individuals, found to have engaged in fraud and corruption as defined in the Procurement Guidelines.
- (o) In accordance with the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Loan shall provide that bidders, suppliers and contractors, and their subcontractors, agents, personnel, consultants, service providers, or suppliers, shall permit the Bank to inspect all accounts, records, and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Bank. Acts intended to materially impede the exercise of the Bank's inspection and audit rights provided for in the Procurement Guidelines constitute an obstructive practice as defined in the Procurement Guidelines.

**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 methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection based on Consultants' Qualifications; (c) Single-source Selection of consulting firms; (d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (e) Single-source procedures for the Selection of Individual Consultants.

**D. Review by the Bank of Procurement Decisions**

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

**Section IV. Other Undertakings**

**A. Revenue Escrow Account**

1. The Borrower shall:

- (a) not later than December 31, 2014, cause OShEE to open a Revenue Escrow Account in a financial institution satisfactory to the Bank and deposit its monthly revenues to pay for the transmission and energy purchase costs in accordance with the following schedule:
  - (i) for each of the first twelve (12) months, pay eight-five percent (85%) of the monthly energy purchase invoice to KESh and eight-five percent (85%) of the monthly transmission fees invoice to OST;
  - (ii) for each of the next twenty-four (24) months, pay ninety-five percent (95%) of the monthly energy purchase invoice to KESh and ninety-five percent (95%) of the monthly transmission fees invoice to OST;
  - (iii) for each of the next thirty-six (36) months, pay one hundred percent (100%) of the monthly energy purchase invoice to KESh and one hundred percent (100%) of the monthly transmission fees invoice to OST; and
  - (iv) thereafter pay one hundred and five percent (105%) of the monthly energy purchase invoice to KESh and 105% of the monthly transmission fees invoice to OST until such time as the revenue arrears of each Project Implementing Entity are fully amortized.
- (b) ensure that any of OShEE's residual funds remaining after paying KESh and OST are transferred to OShEE on a monthly basis; and
- (c) cause OShEE to subject the Revenue Escrow Account to an annual audit satisfactory to the Bank.

**B. Debt Equity Ratio**

- 1. Except as the Bank shall otherwise agree, the Borrower shall ensure that OST and KESh do not incur any debt if, after the incurrence of such debt, the ratio of debt to equity shall be greater than sixty (60) to forty (40).
- 2. For purposes of this Section:



- (a) The term “debt” means any indebtedness of KESh or OST maturing by its terms more than one year after the date on which it is originally incurred.
- (b) Debt shall be deemed to be incurred: (i) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (ii) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
- (c) The term “equity” means the sum of the total unimpaired paid-up capital, retained earnings and reserves of the OST or KESh not allocated to cover specific liabilities.
- (d) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

**C. Debt Service Coverage**

- 1. Except as the Bank shall otherwise agree in writing, the Borrower shall take all the necessary steps to ensure:
  - (a) that OST and KESh shall not incur any debt unless a reasonable forecast of the revenues and expenditures of OST and KESh shows that the estimated net revenues of OST and KESh for each fiscal year during the term of the debt to be incurred shall be at least one (1.0 ) for the first thirty-six (36) months and thereafter one and six tenths (1.6) times the estimated debt service requirements of the relevant Project Implementing Entity in such year on all debt of the OST and KESh, including the debt to be incurred.
  - (b) that a reasonable forecast of OShEE’s net revenues and expenditures demonstrates that the ratio of estimated net revenue to debt service requirements is as follows:
    - (i) within thirty-six (36) months of the Effective Date, six tenths (0.6);
    - (ii) within the subsequent thirty-six (36) months, one (1.0); and

(iii) thereafter, one and six tenths (1.6).

2. For the purposes of this Section:

- (a) The term “debt” means any indebtedness of the Project Implementing Entities maturing by its terms more than one year after the date on which it is originally incurred.
- (b) Debt shall be deemed to be incurred: (i) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (i) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
- (c) The term “net revenues” means the difference between:
  - (i) the sum of revenues from all sources related to operations and net non-operating income; and
  - (ii) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.
- (d) The term “net non-operating income” means the difference between:
  - (i) revenues from all sources other than those related to operations; and
  - (ii) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (i) above.
- (e) The term “debt service requirements” means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.
- (f) The term “reasonable forecast” means a forecast prepared by the respective Project Implementing Entity not earlier than twelve months prior to the incurrence of the debt in question, which both the Bank and the Borrower accept as reasonable and as to which the Bank has notified the Borrower of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of the applicable Project Implementing Entity.

- (g) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

**D. Business Plans**

The Borrower shall cause each Project Implementing Entity to prepare and submit to the Bank and the Borrower no later than December 31 of each year, a five year business plan including associated financial projections, in form and substance satisfactory to the Bank.

**E. Power Sector Financial Recovery Plan**

- 1. The Borrower shall, no later than October 30, 2014, submit to the Bank a Power Sector Financial Recovery Plan, satisfactory to the Bank and including, but not limited to, sources of funding for: (a) power imports not financed by the Project; (b) retail power subsidies; (c) payments made to private power producers; and (d) projected financial deficits for the power sector.
- 2. Except as the Bank shall otherwise agree in writing, the Borrower shall not assign, amend, abrogate or waive the Power Sector Financial Recovery Plan or any of its provisions.

**F. OSHEE Debt Service Obligations and Restructuring**

The Borrower shall take all measures necessary to ensure that all OSHEE's debt service obligations are met and shall inform and consult with the Bank on any proposed restructuring of OSHEE and thereafter only undertake such restructuring as shall have been agreed in writing with the Bank.

**Section V. Withdrawal of Loan Proceeds**

**A. General**

- 1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), 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 Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in Euros)</b>	<b>Percentage of Expenditures to be financed (exclusive of Taxes)</b>
(1) Short Term Power Purchases under Part 1 of the Project	22,419,750	100%
(2) Goods, Consulting services, non-consulting services, and Training under Part 2 of the Project	69,500,000	90%
(3) Goods, Consulting services, and non-consulting services under Part 3 of the Project	14,950,000	80%
(4) Goods, consulting services, non-consulting services, Training, and Operating Costs under Part 4 of the Project	4,950,000	100%
(5) Front-end Fee	280,250	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions
<b>TOTAL AMOUNT</b>	<u>112,100,000</u>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payment made prior to the date of this, except that withdrawals up to an aggregate amount not to exceed €100,000 equivalent may be made for payments made prior to this date but on or after September 29, 2013, for Eligible Expenditures under Category 4.
2. The Closing Date is November 30, 2019.

### SCHEDULE 3

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each November 15 and May 15  Beginning November 15, 2021 through and including May 15, 2036	3.23%
On November 15, 2036	3.1%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
- (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
  - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any

amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3.
  - (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
  - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

## APPENDIX

### Definitions

1. “Anti-Corruption Guidelines” means 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.
2. “Bid Evaluation Committees” means the committees to be established by the Borrower in consultation with MoEI comprising members of the PMU and the PIUs to evaluate the Project bidding documents and referred to in Section I.A.1(c) of Schedule 2 to this Agreement.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “CEZ Shperndarje” or “CEZ Sh” means a power distribution company established and operating pursuant to the law on the *Establishment of the Distribution System Operator JSC* dated June 8, 2007, or its legal successor.
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011, and revised July 2014.
6. “Displaced Persons” means persons who, on account of the execution of the Project would suffer direct economic and social impacts resulting in: (a) the involuntary taking of land resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; and (iii) loss of income sources or means of livelihood, whether or not the affected persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of said persons.
7. “Environmental and Social Impact Assessment” or “ESIA” means, with respect to each activity under Parts 2 and 3 of the Project pursuant to which the ESMF requires an environmental and social impact assessment, such assessment carried out to this Agreement, in accordance with the ESMF; and “ESIAs” means more than one ESIA.
8. “Environmental and Social Management Framework” or “ESMF” means the environmental and social framework prepared by the OShEE and disclosed locally on OShEE website on April 23, 2014 and on the Bank’s Infoshop on April 25, 2014, setting forth the modalities for environmental screening and procedures for the preparation and implementation of environmental and social impact assessments and environmental and/or social management plans under

Parts 2 and 3 of the Project, and such term includes all schedules and annexes to the ESMF.

9. “Environmental and Social Management Plan” or “ESMP” means, with respect to each activity under Part 2 of the Project pursuant to which the ESMF and the ESIA of said activity requires an environmental and social management plan, such plan prepared in accordance with the ESMF and ESIA pursuant to the provisions of Section I.D of Schedule 2 to this Agreement, and “ESMPs” means more than one ESMP.
10. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012.
11. “Korporata Elektroenergjetike Shqiptare” or “KESh” means a power generation company, established and operating pursuant the law on *Establishment of Albanian Power Corporation JSC* dated October 10, 1995, or its legal successor thereto.
12. “KESh/ OShEE PSC” means a Power Service Contract between KESh and the OShEE referred to in Section I.B.3 (a) (i) of Schedule 2 to this Agreement.
13. “KESh/OST PSC” means a Power Service Contract between KESh and OST referred to in Section I.B.3 (a) (ii) of Schedule 2 to this Agreement.
14. “LEK” means the Borrower’s local currency.
15. “Medium Voltage Consumers” means the customers connected in 35/20/10/6 kV distribution network.
16. “MoEI” means the Borrower’s Ministry of Energy and Industry or its legal successor thereto.
17. “Operating Costs” means incremental operating costs incurred on account of Project implementation, management, monitoring and supervision (as such expenditures are set forth in the PMUs annual budget), including office supplies, office equipment maintenance, software/user license fees, communication, local travel, vehicles operation and maintenance and salaries of the PMU staff (but excluding the salary of civil servants of the Borrower).
18. “Operatori i Sistemit të Transmetimit” or “OST” means a joint stock power transmission company, established and operating pursuant the law on the *Establishment of Transmission System Operator JSC* dated April 12, 2003 or its legal successor thereto.



19. “OShEE” or “Operatori i Shperndarjes se Energjise Elektrike” means a joint stock power distribution company and legal successor to CEZ Sh.
20. “OShEE Performance Management Program” means an action plan comprising a set of measures undertaken by MoEI and OShEE for the purpose of improving the performance of OShEE and as a basis for a results-based contract with OShEE’s management.
21. “OShEE/OST PSC” means the Power Service Contract between OShEE and OST referred to in Section I.B.2 (a) (iii) of Schedule 2 to this Agreement.
22. “Power Sector Financial Recovery Plan” means the plan to be prepared and approved by the Council of Ministers, setting out the actions required to, among others, improve efficiency, reduce losses, improve cash collection, and cover unfunded deficits, in order for the power sector to become a self-sustaining sector.
23. “Power Service Contract” or “PSC” means the OShEE/OST PSC, KESh/OShEE PSC and the KESh/OST PSC referred to in Section I.B.3 of Schedule 2 to this Agreement.
24. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011, and revised July 2014.
25. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated August 1, 2014 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
26. “Project Implementing Entities” means KESh, OShEE, and OST, and Project Implementing Entity means each one of them.
27. “Project Implementing Entities’ Legislation” means all the relevant legislation in connection with the establishment and operation of the Project Implementing Entities including the laws on: (a) *Establishment of Albanian Power Corporation JSC* dated October 17, 1995; (b) *Establishment of Transmission System Operator JSC* dated April 12, 2003; and (c) *Establishment of the Distribution System Operator JSC* dated June 8, 2007.
28. “Project Implementing Units’ means the units to be established within each Project Implementing Entity pursuant to an order to be issued by MOEI and referred to in Section 1.A.2 of Schedule 2 to this Agreement.

29. "Project Management Unit" means a unit to be established within MoEI pursuant to an order to be issued by MoEI including key staff to be recruited for the Project and referred to in Section I.A.1 of Schedule 2 to this Agreement
30. "Project Operations Manual" means the manual prepared in accordance with Section 1.B.1 of Schedule 2 to this Agreement and confirmed to be satisfactory by the Bank and adopted by the Borrower, describing and setting forth procedures for implementation of the Project and institutional arrangements, consistent with the provisions of this Agreement and with applicable laws and regulations and including, *inter alia*, timetables of actions required to be carried out under the Project, the respective roles and responsibilities of the Project Implementing Entities and MoEI involved in the implementation of the Project as the same may be amended from time to time.
31. "Resettlement Action Plan" or "RAP" means, for any Project activity under Parts 2 and 3 of the Project involving Displaced Persons, a resettlement action plan for such activity prepared and implemented in accordance with the RPF pursuant to the provisions of Section I.D of Schedule 2 too this Agreement.
32. "Resettlement Policy Framework" or "RPF" means the framework of the Borrower dated and disclosed locally on April 24, 2014, setting forth the modalities for resettlement and compensation of Displaced Persons under Parts 2 and 3 of the Project.
33. "Revenue Escrow Account" means the account referred to in Section IV.B.1 of Schedule 2 to this Agreement.
34. "Risk Management Strategy" means a study to be carried out by the Borrower under Part 4 (d) of the Project for the purpose of mitigating weather volatility and its impact in the power sector.
35. "Safeguard Framework" means the ESMF or RPF as the context may require; and "Safeguard Frameworks" means, collectively, both of said frameworks.
36. "Safeguard Instrument" means an ESIA, ESMP or a RAP for a Project activity under Parts 2 and 3 of the Project, as the context may require; and "Safeguard Instruments" means, collectively, all such assessments or plans for Parts 2 and 3 of the Project.
37. "Subsidiary Loan Agreement" means the agreement referred to in Section I.B.2 of Schedule 2 to this Agreement pursuant to which the Borrower shall make a part of the proceeds of the Loan available to the respective Project Implementing Entities.

38. “Transmission Meter/Data Center” means the facility that is responsible for data acquisition, metering for Medium Voltage Customers, feeders and independent power producers.
39. “Training” means the reasonable costs associated with local and international training, workshop and study tour of personnel involved in Project activities, as specified in the Annual Work Plan and Budget including, said costs to consist of travel, accommodation and subsistence for training, workshop and study tour participants, costs associated with securing the services of trainers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course, workshop or study tour preparation and implementation (but excluding costs of consulting services).