

Public Disclosure Authorized

# OFFICIAL DOCUMENTS

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LOAN NUMBER 8656-AL

## Loan Agreement

(Project for Integrated Urban and Tourism Development)

between

REPUBLIC OF ALBANIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated *DECEMBER 13*, 2016

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**LOAN NUMBER 8656-AL**

**LOAN AGREEMENT**

Agreement dated *December 13*, 2016, between REPUBLIC OF ALBANIA (“Borrower”) and 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 sixty three million, eight hundred thousand Euros (EUR 63,800,000) (“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 Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. 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. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead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.

- 2.06. The Payment Dates are April 1 and October 1 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

**ARTICLE III — PROJECT**

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower, through MoUD, shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article V of the General Conditions and the Project Agreement.
- 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 the Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement or the Subsidiary Agreement.
- 4.02. The Additional Event of Acceleration consist of the following, namely, that any event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Bank to the Borrower.

**ARTICLE V— EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following:
  - (a) The Subsidiary Agreement, satisfactory to the Bank, has been executed on behalf of the Borrower and the Project Implementing Entity.
  - (b) The Borrower, through MoUD, has caused the Project Implementing Entity to prepare and adopt a Project Operations Manual satisfactory to the Bank.
  - (c) The Borrower, through MoUD, has caused the Project Implementing Entity to hire staff for the Project Coordination Unit within MoUD with

qualifications, experience and under terms of reference satisfactory to the Bank.

- 5.02. The Additional Legal Matter consists of the following, namely, that the Subsidiary Agreement has been duly authorized by the Borrower and the Project Implementing Entity and is legally binding upon the Borrower and the 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 of Finance.
- 6.02. The Borrower's Address is:

Ministry of Finance  
Bulevardi "Dëshmorët e Kombit"  
Tiranë, Albania

Facsimile:

355 4228494

- 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

Telex:

Facsimile:

248423(MCI) or  
64145(MCI)

1-202-477-6391

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

REPUBLIC OF ALBANIA

By:

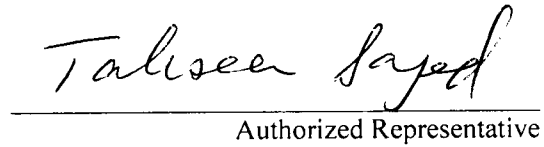
  
Authorized Representative

Name: ARBEN AHMETAJ

Title: MINISTER OF FINANCE

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By:

  
Authorized Representative

Name: TAHSEEN SAYED

Title: COUNTRY MANAGER

## SCHEDULE 1

### Project Description

The objectives of the Project are to: (a) improve urban infrastructure; (b) enhance tourism assets; and (c) strengthen institutional capacity to support tourism related local economic development in Selected Areas in the south of Albania.

The Project consists of the following parts:

#### **Part 1: Urban upgrading and infrastructure improvement**

Upgrading the infrastructure in Selected Municipalities by: (a) preparing of feasibility studies and designs (including urban design studies); (b) carrying out construction works to restore selected heritage buildings; (c) upgrading public spaces, the street network and associated infrastructure; and (d) conducting construction supervision.

#### **Part 2: Touristic sites upgrading**

Improving selected touristic sites along the south of the Albania Touristic Corridor by *inter alia*: (a) restoring of selected heritage and cultural assets and creating rest stops or viewpoints; (b) repairing and improving site infrastructure such as pedestrian's pathways; (c) preparing the required feasibility studies, site management plans and engineering designs; and, (d) conducting construction supervision.

#### **Part 3: Tourism market and product development**

(a) Strengthening the capacity of municipalities to deliver municipal services through *inter alia*: (i) provision of asset management systems, geographic information systems and solid waste collection equipment; and (ii) establishment of site management capacity to enhance the operation of rehabilitated assets.

- (b) Carrying out capacity building activities to strengthen the capacity of:
- (i) the Selected Municipalities to promote sustainable tourism growth including: (A) developing and implementing market research and product development strategies; and (B) establishment of pilot Destination Management Partnerships.
  - (ii) Participating Central Government Agencies to promote sustainable tourism growth including the establishment of a system for tracking sustainable tourism indicators.

**Part 4: Implementation Support**

Provision of support to carry out Project implementation, including maintenance of the Project monitoring and evaluation system, as well as training and financing of Incremental Operating Costs.

## SCHEDULE 2

### Project Execution

#### **Section I. Institutional and Implementation Arrangements**

##### **A. Institutional Arrangements**

##### **1. *Project Coordination Unit and MoUD***

The Borrower, through MoUD, shall:

- (a) Maintain, throughout the implementation of the Project, its PCU with key staff comprising an urban planner, tourism specialist and an architect, all with qualifications, experience and terms of reference satisfactory to the Bank; and
- (b) ensure that its PCU carries out Project oversight and coordination of the Selected Municipalities' technical inputs.

The Borrower, through MoUD, shall cause the Project Implementing Entity to:

- (a) maintain, throughout implementation of the Project, its key staff comprising a Project manager, an architect, an engineer, a financial management specialist, a procurement specialist, a citizen engagement specialist, an environmental specialist, and a social specialist, all with qualifications, experience responsibilities and resources acceptable to the Bank; and
- (b) carry out Project implementation including financial management, procurement and contract management.

##### **2. *Project Steering Committee***

The Borrower shall:

- (a) not later than two (2) months after the Effectiveness Date, establish and thereafter maintain throughout the implementation of the Project, a Project Steering Committee a ("PSC") comprising representatives from MoUD, MEDTTE, MoC, MoE, MoF, Department for Development Programing, Financing and Foreign Aid, the Project Implementing Entity and the Selected Municipalities; and
- (b) ensure that the PSC: (i) meets at least every six (6) months; (ii) supports MoUD in overall project oversight of the management of the Project,



including, *inter alia*, supporting stakeholder coordination and solving major cross-cutting issues or bottlenecks emerging during Project implementation.

**B. Implementation Arrangements**

1. ***Project Operations Manual***

- (a) The Borrower, through MoUD, shall cause the Project Implementing Entity to prepare and adopt a Project Operations Manual in form and substance satisfactory to the Bank, and thereafter implement the Project in accordance with the Project Operations Manual.
- (b) Except as the Borrower, through MoUD, and the Bank may otherwise agree in writing, the Borrower shall not permit the Project Implementing Entity to abrogate, amend, suspend, waive or otherwise fail to enforce the Project Operations Manual, or any provision thereof.
- (c) In the event of any inconsistency between the provisions of the Project Operations Manual and the provisions of this Agreement, the provision of this Agreement shall prevail.

2. ***Subsidiary Agreement***

- (a) To facilitate the carrying out of the Project, the Borrower shall make the proceeds of the Loan available on a grant basis to the Project Implementing Entity under a subsidiary agreement (“Subsidiary Agreement”) between the Borrower and the Project Implementing Entity, under terms and conditions approved by the Bank.
- (b) The Borrower shall exercise its rights and carry out its obligations under the Subsidiary 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, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

**C. Anti-Corruption**

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

**D. Safeguards**

1. In order to ensure the proper implementation of the Project in an environmentally and socially sound manner, the Borrower, through MoUD, shall cause the Project Implementing Entity to:
  - (a) carry out the Project in accordance with the Safeguards Instruments for the Project;
  - (b) prior to carrying out any works under the Project: (i) prepare site-specific ESMPs in accordance with the respective ESMF, including disclosure and public consultation, in form and substance satisfactory to the Bank; and (ii) implement the Project activities in accordance with the respective ESMPs including the ESMP for Berat Cobblestone Road and the ESMP for Saranda Staircases;
  - (c) prior to carrying out any works under the Project which entail Involuntary Resettlement, prepare a site specific RAP in accordance with the RPF, including disclosure and meaningful consultation with Project Affected Persons, in form and substance satisfactory to the Bank, and ensure that such RAP is implemented, including by providing appropriate compensation consistent with the provisions of the RPF and site-specific RAP, to the Project Affected Persons; and
  - (d) not assign, amend, abrogate or waive the Safeguards Instruments or any provision thereof, without the prior approval of the Bank.
2. In the event of any inconsistency between the provisions of any Safeguards Instruments and the provisions of this Agreement, the provisions of this Agreement shall prevail.
3. The Borrower, through MoUD, shall cause the Project Implementing Entity to ensure that the terms of reference of any consultancy in respect to the Project shall be satisfactory to the Bank following its review thereof and, to that end, such terms of reference shall duly incorporate the requirements of the Bank's Safeguards Policies then in force, as applied to the advice conveyed through such technical assistance.

**E. Annual Work Plan and Budget**

1. The Borrower, through MoUD, shall cause the PIE to prepare and furnish to the Bank for review and approval, not later sixty (60) days after Effective Day and by each October 31 thereafter in each Fiscal Year during the implementation of the Project, a proposed annual work plan and budget covering all activities proposed to be carried out under the Project in the forthcoming Fiscal Year.

2. Each such proposed annual work plan and budget shall specify among the activities, any training activities that may be required under the Project, including: (a) the type of training; (b) the purpose of the training; (c) the personnel to be trained; (d) the institution or individual who will conduct the training; (e) the location and duration of the training; (f) the cost of the training; and (g) the expected outcome and impact of the training.
3. The Borrower, through MoUD, shall afford the Bank a reasonable opportunity to exchange views with the Borrower, through MoUD, on each such proposed annual work plan and budget, and thereafter to implement the Project or cause the PIE to implement it with due diligence in accordance with such annual work plan and budget as shall have been approved by the Bank.

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

### **A. Project Reports**

1. The Borrower, through MoUD, shall cause the Project Implementing Entity to 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.
2. 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, through MoUD, shall maintain or cause the PIE to maintain, a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. The Borrower, through MoUD, shall cause the Project Implementing Entity to 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, through MoUD, shall cause the Project Implementing Entity to have the Financial Statements related to the Project 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 for the Project. 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, Works and Non-consulting Services.** All goods, works 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, Works and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of good, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding subject to the additional provisions contained in paragraph 3 of this Section; (b) Shopping; and (c) Direct Contracting.
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, no bids shall 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 bidder.
- (l) Contracts of long duration (more than 18 months) shall contain appropriate price adjustment provisions acceptable to the Bank.
- (m) Bid and contract guarantees shall be in the format included in the bidding documents referred to in (d) above. 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 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. Without limitation to the provisions set forth in paragraph 1.16 (a) (v) (bb) of the Procurement Guidelines, acts intended to materially impede the exercise of the Bank's inspection and audit rights provided for in the Procurement Guidelines shall 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 under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications, (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) 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. 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 EUR)</b>	<b>Percentage of Expenditures to be financed (inclusive of taxes)</b>
(1) Works	49,816,500	100%
(2) Goods	2,530,000	100%
(3) Consultants Services	8,710,000	100%
(4) Operating Costs	2,530,000	100%
(5) Training	54,000	100%
(6) Front-end Fee	159,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
<b>TOTAL</b>	<b><u>63,800,000</u></b>	

**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.
2. The Closing Date is July 31, 2022.

**Section V. Other Undertakings/Urban Design Studies**

The Borrower through MoUD shall cause the Project Implementing Entity to ensure that any urban design studies undertaken under Part 1 (a) of the Project are satisfactory to the Bank.

**SCHEDULE 3**

**Amortization Schedule**

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.

<b>Principal Payment Date</b>	<b>Installment Share (Expressed as a Percentage)</b>
On each April 1 and October 1  Beginning April 1, 2025 through April 1, 2041	2.94%
On October 1, 2041	2.98%

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.
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.

## APPENDIX

### **Section I. Definitions**

1. “Annual Work Program and Budget” means the annual work plan and budget referred to in Section I.E of Schedule 2 to this Agreement.
2. “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.
3. “Bank’s Safeguards Policies” means the Bank’s operational policies and procedures, set forth in the Bank’s operational manual and identified as OP/BP 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60, as said manual is published under [www.WorldBank.org/opmanual](http://www.WorldBank.org/opmanual).
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
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 (revised July 2014).
6. “Cooperation Agreement” means an agreement between the Project Implementing Entity and a Selected Municipality, Ministry or Government Agency and referred to in Section I.B.2 of the Schedule to the Project Agreement.
7. “Destination Management Partnerships” means the units within the Tourism and Culture Directorates of the Selected Municipalities, responsible for developing and marketing tourism products.
8. “Department for Development Programing, Financing and Foreign Aid” means the unit in the Prime Minister’s office, established and operating pursuant to Prime Minister’s Order No. 204, dated November 1, 2013 or its successor thereto.
9. “Environmental and Social Management Framework” or “ESMF” means the framework for the Project prepared by the Project Implementing Entity, and disclosed on the Bank’s *InfoShop* on June 21, 2016 and on the Project Implementing Entity’s website on June 22, 2016, which sets forth, *inter alia*, the modalities for site-specific environmental and social screening, including: (a) guidelines for the identification of existing environmental and social conditions and potential direct and indirect environmental and social impacts and risks resulting from the carrying out of the Project; (b) guidelines for the carrying out of environmental and social assessments and the preparation of environmental management plans, when applicable; (c) recommendation of mitigation measures

for each negative impact identified; (d) measures for enhancing each identified positive impact; and (e) guidelines for the preparation of environmental and social monitoring plans for tracking the application of the mitigation measures, as said framework may be amended from time to time with the Bank's prior approval.

10. "Environmental and Social Management Plan(s)" or "ESMPs" means site-specific environmental social management plans, satisfactory to the Bank, comprising environmental mitigation plan and environmental monitoring plan to be prepared and adopted by the Project Implementing Entity pursuant to the ESMF, wherein are set forth specific details of measures to manage identified or potential environmental and social risks and to mitigate, reduce and/or offset adverse environmental and social impacts associated with the implementation of activities under the Project, together with an environmental and social baseline for each site, details of the relevant environmental legislative framework, adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms, as the same may be amended and supplemented from time to time with the Bank's prior written approval.
11. "ESMP for Berat Cobblestone Road" and Saranda Staircases" mean each the environmental social management plans prepared and adopted by the Borrower and the PIE for the sites of Berat and Saranda respectively and acceptable to the Bank, and disclosed in the *InfoShop* on July 18, 2016.
12. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012, with the modifications set forth in Section II of this Appendix.
13. "Operating Costs" means the incremental expenses incurred by the Project Implementing Entity and the PCU, on account of Project implementation which would not exist absent the Project management and monitoring and includes the costs for office rent, operation and maintenance of vehicles, office equipment and supplies, communication costs, support for information systems, translations, bank charges, travel and *per diem* costs, salaries of the Project Implementing Entity contractual staff (excluding consultants' services and salaries of officials of the Recipient's civil service), Social Charges for staff of the Project Implementing Entity, office administration costs, and other reasonable expenditures directly associated with the carrying out of the Project, as agreed by the Bank; and based on an annual budget acceptable to the Bank.
14. "Involuntary Resettlement" means the impact of an involuntary taking of land under the Project, which taking causes Project Affected Persons to, among other things, have their: (a) standard of living adversely affected; or (b) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or immovable asset acquired or possessed, temporarily or

permanently; or (c) access to productive assets adversely affected, temporarily or permanently; or (d) business, occupation, work place of residence or habitat adversely affected, temporarily or permanently.

15. “MEDTTE” means the Borrower’s Ministry of Economic Development, Tourism, Trade and Entrepreneurship or its successor thereto.
16. “MoC” means the Borrower’s Ministry of Culture or its successor thereto.
17. “MoE” means the Borrower’s Ministry of Environment or its successor thereto.
18. “MoF” means the Borrower’s Ministry of Finance or its successor thereto.
19. “MoUD” means the Borrower’s Ministry of Urban Development or its successor thereto.
20. “Participating Central Government Agencies” means the MoE, MoC and MEDTTE.
21. “Project Affected Persons” means persons who, on account of the execution of the Project, have been, or will be affected, by Involuntary Resettlement.
22. “Project Agreement” means the agreement to be entered into between the Bank and the Project Implementing Entity and referred to in Section 3.01 of this Agreement, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement.
23. “Project Coordination Unit” or PCU means the unit established within MoUD and referred to in Section I.A.1 of Schedule 2 to this Agreement.
24. “Project Implementing Entity” means the Albanian Development Fund or ADF, a non-for profit organization with administrative, financial and technical autonomy.
25. “Project Implementing Entity’s Legislation” means the Borrower’s Laws No. 10130 dated 11.05.2009 and No. 82, dated 17.07.2009.
26. “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 (revised July 2014).
27. “Project Operations Manual” means the manual to be prepared and adopted by the Project Implementing Entity and satisfactory to the Bank, including a detailed description of the Project, procedures for implementation of the Project, detailed 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, staffing, the fiduciary, technical and operational aspects and procedures for implementation of the Project, including the financial management procedures (budgeting, accounting and internal control, disbursement and flow of funds, financial reporting, annual reports, internal and external audit arrangements procedures and including the Project specific chart of accounts), model Cooperation Agreement, procurement procedures, the ESMF and the RPF, monitoring and evaluation arrangements, and other fiduciary and administrative arrangements as the same may be amended from time to time by agreement with the Bank.

28. "Procurement Plan" means the Borrower's procurement plan for the Project, dated July 15, 2016 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.
29. "Resettlement Action Plan" or "RAP" means a plan, satisfactory to the Bank, to be prepared and implemented by the Project Implementing Entity for carrying out activities under the Project in accordance with the Resettlement Policy Framework, and setting out, *inter alia*, the principles and objectives, the affected persons' eligibility criteria, compensation, assistance and rehabilitation entitlements, as well as the monitoring and reporting arrangements in conformity with the Resettlement Policy Framework as said plan may be amended from time to time with the Bank's prior approval.
30. "Resettlement Policy Framework" or "RPF" means the document prepared by the Project Implementing Entity and disclosed on the Project Implementing Entity's website on June 21, 2016 and the Bank's *InfoShop* on June 22, 2016, satisfactory to the Bank, defining the modalities for land acquisition under the Project and describing the policies, procedures, plans and actions (including preparation of the resettlement action plans), and institutional measures related to land acquisition and other social impacts that may arise during the Project, as said framework may be amended from time to time with the Bank's prior approval.
31. "Safeguards Instrument" means the ESMF, ESMP, RPF or a RAP for a Project activity as the context may require; and "Safeguards Instruments" means, collectively, all such assessments or plans for the Project.
32. "Selected Areas" means the Selected Municipalities and the Touristic Corridor (as herein after defined) and includes any other municipalities and touristic sites as may be agreed with the Bank.
33. "Selected Municipalities" means the following Borrower's municipalities, namely Saranda, Gjirokastra, Berat and Permet.

34. "Social Charges" means any payments, premia, or contributions for health and social benefits provided to the Project Implementing Entity's staff pursuant to the Borrower's law No. 7703 dated May 11, 1993, as amended.
35. "Subsidiary Agreement" means the agreement referred to in Section I.B.2 of Schedule 2 to this Agreement pursuant to which the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity.
36. "Tourism and Culture Directorate" means a department within a Selected Municipality responsible for tourism and culture.
37. "Touristic Corridor" means the transport route connecting the city of Vlora to the Selected Municipalities.
38. "Training" means expenditures (other than for consultants' services), incurred by the Project Implementing Entity in connection with the implementation of the Project, based on periodic budgets acceptable to the Bank, for: (i) reasonable travel, room, board and *per diem* expenditures incurred by trainers and trainees in connection with their training; (ii) course fees; (iii) training/workshop facility and equipment rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses not included under goods or service providers' contracts.

## **Section II. Modifications to the General Conditions**

The General Conditions are hereby modified as follows:

1. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.
2. Section 3.01. (*Front-end Fee*) is modified to read as follows:

"Section 3.01. *Front-end Fee; Commitment Charge*

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the "Front-end Fee").

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the "Commitment Charge"). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date."

3. In the Appendix, **Definitions**, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.
4. The Appendix is modified by inserting a new paragraph 19 with the following definition of “Commitment Charge”, and renumbering the subsequent paragraphs accordingly:
  - “19. “Commitment Charge” means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b).”